

SUBJECT: APPROVAL OF REFINANCING UNFUNDED CALPERS PUBLIC SAFETY PLAN SIDE FUND OBLIGATION

SOURCE: Administration

COMMENT: At its meeting on May 21, 2013, the City Council approved proceeding in the refinancing of the City's unfunded CalPERS Public Safety Plan Side Fund, and authorized the City Manager to sign the Term Sheet offered by Rabobank.


The Side Fund expense is part of the City's employer rate for CalPERS. The unfunded liability in the City's Side Fund is approximately \$3.6 million, and is calculated as 9.565% of the employer's share of the overall 31.234% Public Safety Plan CalPERS employer contribution rate for FY 2013/2014. The CalPERS Side Fund charges interest at a rate of 7.50%, equivalent to what CalPERS believes their annual average investment return rate would have been had they retained the funds to invest over twenty years.

Given the recent successful refinancing of the 2005 Certificates of Participation in coordination with Rabobank, the City was presented with an opportunity to pay off the Side Fund obligation by issuing a pension obligation bond through Rabobank at a 3.0% fixed interest rate. By refinancing the CalPERS Side Fund for public safety employees effective October 1, 2013, the City would realize at least \$315,000 in interest savings over the next seven (7) years, or the current term of the Side Fund obligation (please see attached Refunding Analysis).

To formally approve and proceed with the refunding of the CalPERS Public Safety Side Fund, a draft Resolution for bond issuance, Bond Purchase Agreement, and Legal Services Agreement for Bond Counsel have been prepared for consideration by the City Council.

RECOMMENDATION: That the City Council approve the refinancing of the CalPERS Public Safety Side Fund, and authorize the Mayor and City Manager to sign the draft Resolution, Agreements, and documents as may be required.

Dir. 

Appropriated/Funded 

C/M 

Item No. 19

ATTACHMENTS:

1. Refunding Analysis
2. Draft Resolution
3. Bond Purchase Agreement
4. Legal Services Agreement of Bond Counsel
5. City Council Agenda Item: May 21, 2013

WULFF, HANSEN & Co.

ESTABLISHED 1931
INVESTMENT BANKERS

351 CALIFORNIA STREET, SUITE 1000

SAN FRANCISCO 94104

(415) 421-8900

City of Porterville
CALPERS Safety Plan Side Fund
Refunding Analysis with Rabobank Interest Rate
Side Fund Valuation as of October 1, 2013 (FY 2012-13): \$3,617,667*
July 9, 2013

Refunding Taxable Issue Sizing: \$3,825,000 (\$3,617,667 plus COI, no RF)

<u>Year</u>	<u>FY</u>	<u>Side Fund Payments</u>	<u>Interest Rate</u>	<u>Estimated Debt Service</u>	<u>Savings</u>
	(CALPERS Amortization Schedule)				
1	2013-14	466,768 (9 months)			
2	2014-15	641,029			
3	2015-16	660,260			
4	2016-17	680,068			
5	2017-18	700,470			
6	2018-19	721,484			
7	2019-20	743,128			
		\$4,613,207	3.00%	\$4,297,558	\$315,649
		Estimated Savings: \$315,649 or 6.84%			

* Side Fund payoff amount per CALPERS as of October 1, 2013 of \$3,617,667
(\$3,709,434 less 25% of 2013-14 FY Principal)

Sources and Uses of Funds

Total Sources:		<u>\$3,825,000</u>
Uses of Funds:		
Side Fund Pay Off		\$3,617,667
COI: Rabobank	40,000	
Bank Counsel	20,000	
Bond Counsel	50,000	
City Attn for Validation	10,000	
Placement Fee	76,300	
Miscellaneous	<u>11,033</u>	
Total COI		<u>207,333</u>
Total Uses of Funds		<u>\$3,825,000</u>

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PORTERVILLE
AUTHORIZING THE ISSUANCE OF ITS 2013 TAXABLE PENSION
OBLIGATION REFUNDING BOND**

Adopted _____, 2013

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RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
PORTERVILLE AUTHORIZING THE ISSUANCE OF ITS 2013
TAXABLE PENSION OBLIGATION REFUNDING BOND**

WHEREAS, the City of Porterville (the "City") has previously elected to become a contracting member of the California Public Employees' Retirement System ("PERS"), and under its contract with PERS the City is obligated to make certain payments to PERS in respect of retired public safety employees under the Side Fund program of PERS which amortizes such obligations over a fixed period of time; and

WHEREAS, the City is a municipal corporation and charter city duly organized and existing under the Constitution and laws of the State of California and is desirous of refunding its public safety employee side fund owing to PERS (the "Side Fund Obligation"), thereby effectuating substantial savings in the form of lower interest costs related thereto; and

WHEREAS, the City is authorized under the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53580 of said Code (the "Bond Law"), to issue its bond for the purpose of refunding certain outstanding indebtedness of the City, including the PERS Side Fund Obligation; and

WHEREAS, the City Council now desire to authorize the issuance of its 2013 Taxable Pension Obligation Refunding Bond;

NOW, THEREFORE, BE IT RESOLDED BY THE CITY COUNCIL OF THE CITY OF PORTERVILLE AS FOLLOWS:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof, unless otherwise expressly set forth.

SECTION 1.02. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms used herein shall have the meanings ascribed to them below:

"Bond" means the City of Porterville 2013 Taxable Pension Obligation Bond issued by the City in the aggregate principal amount of \$_____ under the Bond Law and this Resolution.

"Bond Counsel" means (a) Raymond M. Haight, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City of nationally-recognized experience in the issuance of obligations issued by public agencies.

"Bond Law" means the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code, as in effect on the Closing Date or as thereafter amended.

"Bond Purchase Agreement" means the Bond Purchase Agreement executed by and between the City and the Purchaser, dated as of _____, 2013, and relating to the purchase of the Bond.

"Business Day" means a day of the year (other than a Saturday or Sunday) on which banks in California and in the City of Porterville are not required or permitted to be closed, and on which the New York Stock Exchange is open.

"Certificate of the City" means a certificate in writing signed by the Mayor of the City or the City Manager, or any other officer of the City duly authorized by the City for that purpose.

"City" means the City of Porterville, a municipal corporation and charter city duly organized and existing under the Constitution and laws of the State of California.

"City Manager" means the City Manager of the City.

"City Representative" means the City Manager, Assistant City Manager, the City Finance Director, or any other person authorized by resolution of the City Council to act on behalf of the City with respect to this Resolution and the Bond.

"Closing Date" means _____, 2013, being the date on which the Bond is delivered by the City to the Original Purchaser in exchange for the purchase price of the Bond.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bond or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bond, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Costs of Issuance" means all items of expense directly or indirectly reimbursable to the City relating to the issuance, execution and delivery of the Bond including, but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, bond counsel fees and charges, legal fees and charges of counsel to the City with respect to the validation action herein referenced, and any other legal fees and charges (including fees of counsel to the Purchaser and the fees of Purchaser in making the loan to City in the form of the Bond), fees and expenses of financial and other professional consultants (including placement agent fees and expenses), and any other fees and expenses in connection with the execution and delivery of the Bond (including legal costs and fees and court costs associated with judicial validation of the Bond).

"Debt Service Fund" means the fund by that name established and held by the City under Section 4.02.

"Event of Default" means any of the events described in Section 8.01.

"Federal Securities" means United States Treasury notes, bonds, bills or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

"Finance Director" means the Finance Director of the City of Porterville.

"Fiscal Year" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the City as its official fiscal year period.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State of California, appointed by or acceptable to the City, and who, or each of whom: (a) is in fact independent and not under domination of the City; (b) does not have any substantial interest, direct or indirect, with the City; and (c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

"Interest Account" means the account by that name established and held by the City under Section 4.02(a).

"Interest Payment Date" means April 1 and October 1, each an Interest Payment Date, commencing April 1, 2014, so long as the Bond remains unpaid.

"Libor" means the rate of interest appearing on Bloomberg L.P. (the "Service") Page BBAM1/(Official BBA USD Dollar Libor Fixings) (or on any successor or substitute page of the Service, or any successor to or substitute for the Service providing rate quotations comparable to those currently provided on such page of the Service, selected by the Purchaser for purposes of providing quotations of interest rates applicable to dollar deposits in an amount equal to the Bond in the London interbank market) at approximately 11:00 a.m., London time, as the rate for dollar deposits with a maturity comparable to the applicable contract period.

"Outstanding", when used as of any particular time with reference to the Bond, means the Bond unless (a) the Bond has been paid or deemed to have been paid within the meaning of Section 9.03; or (b) another Bond has been authorized, executed, issued and delivered by the City hereunder in lieu of or in substitution for the Bond originally authorized, executed, issued and delivered by the City.

"Owner" or "Bondowner" means the person in whose name the ownership of such Outstanding Bond is registered on the Registration Books.

"Permitted Investments" means any investments permitted by law to be made with moneys belonging to, or in the custody of, the City.

"PERS" means the California State Public Employees' Retirement System.

"PERS Contracts" means the contracts, as amended from time to time, entered into by the City and PERS pursuant to the Retirement Law obligating the City to make contributions to PERS in exchange for PERS providing retirement benefits to certain City employees.

"PERS Side Fund Obligation" means the obligation of the City under the Retirement Law and the PERS Contracts to make payments to PERS with respect to benefits accruing to retired public safety employees of the City in connection with its safety plan – side fund.

"Placement Agent" shall mean Wulff, Hansen & Co. and Gates Capital Corporation, acting jointly.

"Principal Account" means the account by that name established and held by the Trustee under Section 4.02(b).

"Purchaser" means Rabobank, N.A., a national banking association.

"Record Date" means, with respect to any Interest Payment Date, the close of business on the 15th calendar day of the month preceding such Interest Payment Date, whether or not such 15th calendar day is a Business Day.

"Registration Books" means the records maintained by the City under Section 2.07 for the registration and transfer of ownership of the Bond.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Request of the City" means a request in writing signed by the City Representative, or by any other officer of the City duly authorized by the City for that purpose.

"Resolution" means this Resolution, being Resolution No. ____ adopted by the City Council of the City on _____, 2013 and relating to the issuance of the Bond.

"Supplemental Resolution" means any resolution supplemental to or amendatory of this Resolution, adopted by the City in accordance with the provisions of Article VII hereof.

"Written Request of the City" means an instrument in writing, signed by a City Representative, or by any other officer of the City duly authorized by the City.

ARTICLE II

AUTHORIZATION AND TERMS OF THE BOND

SECTION 2.01. *Authorization and Purpose of Bond.* The City has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bond do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly empowered, under each and every requirement of law, to issue the Bond in the manner and form provided in this Resolution.

The City hereby authorizes the issuance of the Bond in the aggregate principal amount of not to exceed \$3,950,000 under this Resolution and the Bond Law for the purposes of providing funds to refinance the PERS Side Fund Obligation of the City with respect to the City's public safety employees as provided herein and to pay Costs of Issuance. The Bond is designated the "City of Porterville 2013 Taxable Pension Obligation Bond".

SECTION 2.02. *Terms of the Bond.* One Term Bond shall be issued in fully registered form without coupon in the denomination of not to exceed \$3,950,000. The Bond shall be dated as of the Closing Date and mature on October 1, 2020 in the principal amount and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the interest rate per annum to be fixed at the Closing Date based on one month Libor plus 280 basis points.

Interest on the Bond is payable from the Interest Payment Date immediately preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on a Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the person in whose name the ownership of the Bond is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on the Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of the Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the City, notice of which is given to such Owner by first-class mail not less than ten days prior to such special record date.

The City will pay interest on the Bond by check of the City mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owner of the Bond at his respective address shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of the Bond (since the Bond is in an aggregate principal amount of at least \$1,000,000), which written request is on file with the City as of any Record Date, the City will pay interest on such Bond on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The City will pay principal of the Bond in lawful money of the United States of America by check of the City upon presentation and surrender thereof to the City at City Hall, 291 N. Main Street, Porterville, California 93257.

SECTION 2.03. *Redemption of Bond.*

(a) Optional Redemption. The Bond is subject to redemption prior to its stated maturity, at the option of the City, in whole or in part, on any Business Day from any moneys on deposit in the Debt Service Fund for such purpose, at a prepayment

price equal to one hundred percent (100%) of the principal amount thereof to be redeemed, plus accrued interest to the redemption date.

(b) Mandatory Redemption. The Term Bond matures on October 1, 2020 and is subject to mandatory redemption in part, by lot, without premium, on October 1, 2014 and on each October 1 thereafter, from the sinking fund payments that have been deposited into the Debt Service Fund, according to the following schedule:

PAYMENT DATE	PRINCIPAL AMOUNT
_____ 1, 20	
_____ 1, 20	
_____ 1, 20	
_____ 1, 20	
_____ 1, 20	
_____ 1, 20	
_____ 1, 20	
_____ 1, 20 (maturity)	

(c) Notice of Redemption. The City will mail (by first class mail), at its expense, notice of any redemption to the Owner of the Bond at his address appearing on the Registration Books, at least 30 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bond or the cessation of the accrual of interest thereon.

Such notice shall specify: (a) that the Bond or a designated portion thereof is to be redeemed, (b) the number of the Bond to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bond including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon such Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

(d) Manner of Redemption. Whenever provision is made in this Section 2.03 for the redemption of less than all of the Bond, the City shall treat such Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond. If only a portion of a Bond is called for redemption, then upon surrender of such Bond the City will execute and authenticate and deliver to the Owner thereof, at the expense of the City, a new Bond of the same series and maturity date, of a denomination in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

(e) Partial Redemption of Bond. If only a portion of a Bond is called for redemption, then upon surrender of such Bond the City will execute, authenticate and deliver to the Owner thereof, at the expense of the City, a new Bond of the same series and maturity date, of an authorized denomination in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

(f) Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the Bond so called for redemption have been duly provided, such Bond so called shall cease to be entitled to any benefit under this Resolution other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. Unless otherwise determined by the City, the City shall cancel and destroy the Bond redeemed under this Section 2.03.

SECTION 2.04. *Form and Execution of Bond.* The form of the Bond, the form of the certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution.

The Mayor of the City shall execute, and the City Clerk of the City shall attest the Bond. Any or all of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on the Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. The Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of that Bond are the proper officers of the City, duly authorized to execute debt instruments on behalf of the City, although on the date of the Bond any such person was not an officer of the City.

Only a Bond bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the City, is valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of the City is conclusive evidence that such Bond has been duly authenticated and delivered hereunder and is entitled to the benefits of this Resolution.

SECTION 2.05. *Transfer of Bond.*

(a) Transfer. The Bond may, in accordance with its terms, be transferred, in whole, but not in part, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of the Bond to the City at City Hall, 291 N. Main Street, Porterville, California 93257, or such other place as may be designated in writing by the City for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the City, duly executed. The City shall collect any tax or other governmental charge on the transfer of the Bond under this Section 2.06. Whenever the Bond is surrendered for transfer, the City will execute, authenticate and deliver to the transferee a new Bond of like series, interest rate, maturity and aggregate principal amount. The City will pay the cost of printing the Bond and any services rendered or expenses incurred in connection with any transfer of the Bond.

(b) Limitations. The City may refuse to transfer, under the provisions of this Section 2.06, the Bond if it has determined that a portion thereof has been selected by the City for redemption under Section 2.03, or during the period established by the City for the selection of Bond or portion thereof for redemption.

SECTION 2.06. *Registration Books.* The City will keep or cause to be kept, at City Hall, 291 N. Main Street, Porterville, California 93257, sufficient records for the registration and registration of transfer of the Bond. The City will register the ownership and transfer of the Bond on the Registration Books under such reasonable regulations as it may prescribe.

SECTION 2.07. *Bond Mutilated, Lost, Destroyed or Stolen.* If the Bond is mutilated, the City, at the expense of the Owner of the Bond, shall execute, authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, upon surrender to the City of the Bond so mutilated. The City shall cancel every mutilated Bond surrendered to him. If a Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the City and, if such evidence is satisfactory to the City and if indemnity satisfactory to the City is given, the City, at the expense of the Owner, will execute, authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The City may require payment of a sum not exceeding the actual cost of preparing the new Bond issued under this Section and of the expenses which may be incurred by the City in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Resolution with any other Bond issued under this Resolution.

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS OF BOND

SECTION 3.01. *Issuance of Bond.* Upon the execution and delivery of this Resolution, the City shall execute, authenticate and deliver the Bond in the aggregate principal amount of \$_____ to the Purchaser upon the simultaneous issuance and execution of a receipt thereof and payment of the purchase price by the Purchaser, as per the Bond Purchase Agreement.

SECTION 3.02. *Deposit and Application of Proceeds.* On the Closing Date the Purchaser of the Bond upon its receipt thereof, shall simultaneously pay a portion of the proceeds of the Bond in the principal amount of the Side Fund Obligation of the City, including any interest due thereon, on behalf of the City to PERS in the aggregate amount of \$_____ by wire transfer to PERS. Further, the Purchaser shall also pay a portion of the proceeds in the amount of \$_____ to its counsel, and shall retain a portion of the proceeds in the amount of \$_____ as and for its fee in making the loan to the City represented by the Bond. In addition, the Purchaser shall also pay a portion of the proceeds to the City's Bond Counsel in the amount of \$_____ and to the City's Placement Agents in the amount of \$_____, in each case by wire transfer upon receipt by the Purchaser of a Written Request of the City (in a form approved by the Purchaser) relating thereto. The balance of the proceeds in the amount of \$_____ shall be wire transferred to the City and utilized for payment on the Closing Date of the City's remaining costs of issuing the Bond including, but not limited to, all costs and fees related to the City's validation action in obtaining judicial validation of the Bond and costs of the California Debt Investment and Advisory Commission. (The above referenced amounts constitute the Costs of Issuance. These amounts are not fully determined at this time and will be filled-in upon execution of the Bond Purchase Agreement. Provided, however, that the total Costs of Issuance shall not exceed \$210,000.)

SECTION 3.03. *Validity of Bond.* The validity of the authorization and issuance of the Bond is not dependent upon the expenditure of the proceeds thereof to pay the PERS Side Fund Obligation of the City with respect to its public safety employees, or upon the performance by any person of its obligation with respect to such PERS Side Fund Obligation.

ARTICLE IV

SECURITY OF BOND; FLOW OF FUNDS; INVESTMENTS

SECTION 4.01. *Security of Bond; Equal Security.* The obligations of the City under the Bond, including the obligation to make all payments of principal of and interest on the Bond when due and the obligation of the City to make the deposits required hereunder for the security of the Bond, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Bond does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Bond nor the obligations of the City to make payments on the Bond 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.

In consideration of the acceptance of the Bond by those who hold the same from time to time, this Resolution constitutes a contract between the City and any Owner from time to time of the Bond, and the covenants and agreements herein set forth to be performed on behalf of the City are for the equal and proportionate benefit, security and protection of any Owner of the Bond.

SECTION 4.02. *Debt Service Fund.* There is hereby established a separate fund to be known as the "Debt Service Fund" which shall be held by the City in trust for the benefit of the Bond Owner. The Debt Service Fund shall be maintained by the City at Rabobank, N.A., 915 Highland Pointe Drive, Roseville, California. The City will hold the Debt Service Fund for the uses and purposes set forth herein, so long as the Bond remains Outstanding. The City will transfer an amount of legally available funds in the following amounts at the following times, for deposit by the City in the following respective special accounts within the Debt Service Fund, which accounts are hereby established with the City with respect to the Bond, in the following order of priority:

- (a) Interest Account. On or before the 5th Business Day preceding each date on which interest on the Bond is due and payable, the City will transfer for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Bond on that date. The City will apply amounts in the Interest Account solely for the purpose of paying the interest on the Bond when due and payable.
- (b) Principal Account. On or before the 5th Business Day preceding each date on which principal of the Bond is due and payable at maturity or upon mandatory sinking fund redemption, the City will transfer for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the principal amount of the Term Bond (which is subject to mandatory sinking fund redemption on that date under Section 2.03[b]). The City will apply amounts in the Principal

Account solely for the purpose of paying the principal of the Term Bond upon the mandatory sinking fund redemption thereof.

SECTION 4.03. *Investment of Moneys in Funds.* The City may invest moneys in the funds and accounts established and held hereunder in Permitted Investments. The City shall ensure that all Permitted Investments mature not later than the date on which the funds invested therein are required to be expended.

Obligations purchased as an investment of moneys in any fund or account will be deemed to be part of such fund or account. Whenever in this Resolution the City is required to transfer any moneys to the various funds and accounts maintained by it hereunder, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the City hereunder will be retained in the respective fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the City may commingle funds held by it hereunder.

ARTICLE V

OTHER COVENANTS OF THE CITY

SECTION 5.01. *Punctual Payment.* The City shall punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of the Bond in strict conformity with the terms of this Resolution. The City shall faithfully observe and perform all of the conditions, covenants and requirements of this Resolution and all Supplemental Resolutions.

SECTION 5.02. *Budget and Appropriation of Debt Service; Certification to Owner.* The City covenants to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the City under Section 4.02, and to make the necessary annual appropriations for all such payments. If any payment of Debt Service requires the adoption by the City of a supplemental budget or appropriation, the City will promptly adopt the same. The covenants on the part of the City herein contained constitute duties imposed by law and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the provisions of this Resolution that need to be carried out and performed by the City.

Promptly following the adoption of an annual budget which includes the appropriations required by this Section, but in any event not later than September 1 in each Fiscal Year, the City shall execute and deliver to the Purchaser a Certificate of the City in substantially the form attached hereto as Appendix B, which shall evidence the compliance by the City with the covenants set forth in this Section 5.02 with respect to such Fiscal Year.

SECTION 5.03. *Books and Accounts; Financial Statements; Additional Information.* The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City. Such books of record and accounts shall at all times during business hours be subject, upon prior

written request, to the reasonable inspection of the Owner the Bond Outstanding, or his representatives authorized in writing.

The City will cause to be prepared annually by not later than March 1 after the close of each Fiscal Year so long as the Bond is Outstanding, complete audited financial statements with respect to such Fiscal Year, as of the end of such Fiscal Year. The City will furnish a copy of such statements, upon reasonable request, to the Bond Owner. .

SECTION 5.04. *Protection of Security and Rights of Owner.* The City shall preserve and protect the security of the Bond and the rights of the Owner, and will warrant and defend his rights against all claims and demands of all persons. From and after the date of the sale and delivery of the Bond, the City shall not contest the validity or enforceability of the Bond or this Resolution.

SECTION 5.05. *Further Assurances.* The City shall adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Resolution, and for the better assuring and confirming unto the Bond Owner the rights and benefits provided in this Resolution.

ARTICLE VI

PAYING AGENT

Section 6.01. *Appointment of Paying Agent.* In the event the City at any time determines that it no longer desires to act as its own paying agent hereunder, the City may, with the consent of the Bondowner, hire the services of a Paying Agent ("Paying Agent") to act in the place and stead of the City, to perform all of the duties herein assigned to the City in acting as its own paying agent. In such event, the City may enter into a Paying Agent Services Agreement for such purpose that is consistent with standards in the industry relating to Paying Agent Services in connection with the issuance of bonds. The City shall bear the costs of such services as may be provided by the Paying Agent.

The Paying Agent shall be responsible for performing such services as have herein been assigned to the City in acting as its own paying agent, and as may otherwise be determined by the City. Any such agreement shall provide for the immunities and indemnification of the Paying Agent as are standard for such agreements. Provided, however, that the provisions of any such agreement shall be consistent with the provisions of this Resolution.

ARTICLE VII

MODIFICATION OR AMENDMENT OF THIS RESOLUTION

SECTION 7.01. *Amendments Permitted.*

(a) Amendment With Bond Owner Consent. This Resolution and the rights and obligations of the City and of the Owner of the Bond may be modified or amended by the City at any time by the execution of a Supplemental Resolution, with the written consent of the Owner of the Bond then Outstanding. Any such Supplemental Resolution becomes effective upon the execution and delivery thereof by the City and upon consent of the Bond Owner. No such modification or amendment may extend the maturity of the Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein without the consent of the Owner, or shall change any of the provisions of Article VIII hereof relating to Events of Default.

(b) Amendment Without Bond Owner Consent. This Resolution and the rights and obligations of the City and of the Owner of the Bond may also be modified or amended at any time by a Supplemental Resolution, without the consent of the Owner of the Bond, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in this Resolution, other covenants and agreements thereafter to be observed which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to limit or surrender any rights or power herein reserved to or conferred upon the City;

- (ii) to add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with this Resolution as theretofore in effect;
- (iii) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under this Resolution;
- (iv) to cure any ambiguity, supply any omission, or to cure, correct or supplement any defective provision contained in this Resolution, or in any other respect whatsoever as the City deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owner in the opinion of Bond Counsel filed with the City.

SECTION 7.02. *Effect of Supplemental Resolution.* From and after the time any Supplemental Resolution becomes effective under this Article VII, this Resolution shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and the Owner, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Resolution shall be deemed to be part of the terms and conditions of this Resolution for any and all purposes.

SECTION 7.03. *Endorsement or Replacement of Bond After Amendment.* After the effective date of any amendment or modification hereof under this Article VII, the City may determine that Bond shall bear a notation, by endorsement in form approved by the City, as to such amendment or modification and in that case upon demand of the City the Owner of the Bond shall present such Bond for that purpose to the City at City Hall, 291 N. Main Street, Porterville, California 93257, and thereupon a suitable notation as to such action shall be made on such Bond. In lieu of such notation, the City may determine that a new Bond shall be prepared and executed in exchange for the Bond and in that case upon demand of the City the Owner of the Bond shall present such Bond for exchange to the City at City Hall, 291 N. Main Street, Porterville, California 93257, without cost to such Owner.

SECTION 7.04. *Amendment by Mutual Consent.* The provisions of this Article VII do not prevent any Owner from accepting any amendment relating to the Bond.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.01. *Events of Default.* Each of the following events constitutes an Event of Default hereunder:

- (a) Failure to pay any installment of the principal of the Bond when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bond when due.
- (c) Failure by the City to observe and perform any of the other covenants, agreements or conditions on its part contained in this Resolution, the Bond, or in the Bond Purchase Agreement, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the City by the Bondowner(s); *provided, however*, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if corrective action is instituted by the City within such 30-day period and it thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The City shall file a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United State of America, or if a court of competent jurisdiction shall approve a petition seeking reorganization of the City under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property.
- (e) Any representation or warranty made by or on behalf of the City under the Bond Purchase Agreement or in any certificate or statement delivered thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made.

SECTION 8.02. *Remedies of Bondowner.* The Bondowner shall have the right:

- (a) by mandamus, suit, action or proceeding, to compel the City and its officers, agents or employees to perform each and every term, provision and covenant contained in this Resolution, the Bond, and in the Bond Purchase Agreement and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed upon it;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bondowner's rights; or

(c) upon the happening of any Event of Default, by suit, action or proceeding in any court of competent jurisdiction, to require the City and its officers and employees to account as if it and they were the trustees of an express trust.

(d) exercise any other remedies available to the Bondholder in law or at equity to enforce the rights of the Bondholder under this Resolution, the Bond, and the Bond Purchase Agreement.

In addition, if an Event of Default occurs pursuant to Section 8.01 above and is continuing, the Owner the Bond then Outstanding may declare the principal of the Bond, together with the accrued interest thereon, to be due and payable immediately. Any such declaration may be rescinded or annulled at any time by the Owner the Bond.

SECTION 8.03. *Non-Waiver.* Nothing in this Article VII or in any other provision of this Resolution, or in the Bond, shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and interest on the Bond to the respective Owner of the Bond at the respective dates of maturity, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of such Owner to institute suit to enforce such payment by virtue of the contract embodied in the Bond.

A waiver of any default by the Bondowner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of the Owner of the Bond to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owner of the Bond by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owner of the Bond.

If a suit, action or proceeding to enforce any right or exercise any remedy be abandoned or determined adversely to the Owner of the Bond, the City and the Bond Owner shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

SECTION 8.04. *Remedies Not Exclusive.* No remedy herein conferred upon the Owner of the Bond shall be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or hereafter conferred on the Owner of the Bond.

SECTION 8.05. *Default Interest Rate.* Upon the occurrence of an Event of Default, the principal balance of the Bond shall, from the date of an Event of Default until the date the Purchaser notifies the City that such Event of Default is waived or cured, bear interest at the Default Rate. The "Default Rate" means the rate per annum which is equal to the fixed rate in effect with respect to the Bond plus 5.00% per annum. The provisions of this section will not constitute a waiver of any Event of Default.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Benefits Limited to City and Bondowner.* Nothing in this Resolution, expressed or implied, gives any person other than the City and the Owner, any right, remedy, or claim under or by reason of this Resolution. Any covenants, stipulations, promises or agreements in this Resolution contained by and on behalf of the City are for the sole and exclusive benefit of the Owner.

SECTION 9.02. *Successor is Deemed Included in All References to Predecessor.* Whenever in this Resolution or any Supplemental Resolution the City is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Resolution contained by or on behalf of the City binds and inures to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 9.03. *Defeasance of Bond.* If the City pays and discharges the entire indebtedness on the Bond in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of, any redemption premium that may be due and interest on such Bond, as and when the same become due and payable;
- (b) by irrevocably depositing with an escrow bank, in trust, at or before maturity, an amount of cash or Federal Securities which, together with the available amounts then on deposit in the funds and accounts established under this Resolution, in the opinion or report of an Independent Accountant is fully sufficient to pay the Bond, including all principal, interest and redemption premium, if any, at or before maturity of the Bond; or
- (c) by purchasing such Bond prior to maturity and canceling it;

and if the Bond is to be redeemed prior to the maturity thereof notice of such redemption has been duly given by the City, then, at the election of the City, and notwithstanding that the Bond has not been surrendered for payment, all obligations of the City under this Resolution with respect to such Bond shall cease and terminate, except only the obligation of the City to pay or cause to be paid to the Owner of the Bond, all sums due thereon, and

Any funds held by the City in any of the funds or accounts established in this Resolution which are not required for the aforesaid purpose shall be retained by the City free and clear of any trust herein, and may be utilized by the City for such purposes as it determines. .

To accomplish defeasance, the City shall obtain (i) a report of an Independent Accountant verifying the sufficiency of the escrow established to pay the Bond in full on the maturity or redemption date ("Verification"), (ii) an escrow deposit agreement ("Escrow Deposit Agreement"), and (iii) an opinion of Bond Counsel to the effect that

the Bond is no longer Outstanding. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the City.

SECTION 9.04. *Execution of Documents and Proof of Ownership by Owner.* Any request, consent, declaration or other instrument which this Resolution may require or permit to be executed by the Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by such Owner's attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by the Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bond and the amount, maturity, number and date of ownership thereof are conclusively proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of the Bond binds all future Owners of such Bond in respect of anything done or suffered to be done by the City in good faith and in accordance therewith.

SECTION 9.05. *Waiver of Personal Liability.* No member, officer, agent or employee of the City is individually or personally liable for the payment of the principal of or interest or any premium on the Bond. However, nothing contained herein relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.06. *Notices.* All written notices under this Resolution shall be given by first class mail or personal delivery to the City or the Owner entitled thereto at its address set forth below, or at such other address as the City or the Owner may provide to each other in writing from time to time. Notice is effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) upon actual receipt after deposit in the United States mail, postage prepaid, or (c) in any other case, upon actual receipt. The City may, by written notice to the Owner, from time to time modify the address or number to which communications are given hereunder.

If to the City:

City of Porterville
291 North Main Street
Porterville, California 93257
Attention: City Manager
Telephone: (559) 782-7435
Fax: (559) 784-4569

If to the Bondowner:

Rabobank, N.A.
915 Highland Pointe Drive, Suite 350
Roseville, CA 95678
Attn: Commercial Loan Administration Services
Telephone: (866) 842-2265
Fax: (559) 447-7843

SECTION 9.07. *Partial Invalidity.* If any Section, paragraph, sentence, clause or phrase of this Resolution is for any reason held illegal, invalid or unenforceable, such holding will not affect the validity of the remaining portions of this Resolution. The City hereby declares that it would have executed this Resolution and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bond irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Resolution may be held illegal, invalid or unenforceable.

SECTION 9.08. *Unclaimed Moneys.* Anything contained herein to the contrary notwithstanding, any money held by the City in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bond which remains unclaimed for two years after the date when the payment of such interest, premium and principal has become payable, (whether at maturity or upon call for redemption as provided in this Resolution), if such money was held by the City at such date, or two years after the date of deposit of such moneys in the Debt Service Fund if deposited after said date when the Bond became due and payable, shall be retained by the City as its absolute property free from the trust created by this Resolution, and all liability of the City with respect to such moneys shall thereupon cease; provided, however, that before such retention of such moneys by the City as aforesaid, the City, at its cost, shall mail to the Owner of the Bond at his address as shown on the Registration Books, by first class mail, postage prepaid, return receipt requested, a notice in such form as may be deemed appropriate by the City, with respect to the Bond so payable and not presented and with respect to the provisions relating to the retention by the City of the moneys held for the payment thereof.

SECTION 9.09. *Governing Law.* This Resolution shall be construed and governed in accordance with the laws of the State of California.

SECTION 9.10. *Validation Action.* The Bond shall not be issued unless and until a validation action with respect to the Bond is filed in the Superior Court of the State of California in and for the County of Tulare and the issuance of the Bond is validated in said action by entry of judgment, and all appeal periods have concluded without the filing of any appeal to such judgment. The City Council does hereby direct the City Attorney ("City Attorney") to file said action forthwith.

SECTION 9.11. *Appointment of Placement Agents and Bond Counsel.* Wulff, Hansen & Co., San Francisco, California and Gates Capital Corporation, New York, New York, are hereby appointed as Placement Agents (with respect to placing the Bond with the Purchaser thereof), whose fees are to be set forth in the Bond Purchase Agreement ("Bond Purchase Agreement") to be executed between the City and Rabobank, N.A. on the date of execution thereof; and Raymond M. Haight, Scotts Valley, California, is hereby appointed Bond Counsel with respect to the issuance of

the Bond, whose Agreement for Services (on file with the City Clerk) is hereby approved.

SECTION 9.12. *Approval of Form of Agreements and Execution Thereof.* The Mayor or the City Manager, each an authorized officer ("Authorized Officer") is hereby authorized and directed to execute the Bond Purchase Agreement by and between the City and Rabobank, N.A., and the Agreement for Services of Raymond M. Haight for and in the name and on behalf of the City, in substantially the form on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer shall approve, such approval to be conclusively evidenced by the execution and delivery of such documents.

SECTION 9.13 *Official Action.* The Mayor of the City, the City Manager, the City Clerk and any and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance, sale and delivery of the Bond and the consummation of the transactions approved herein. Whenever in this Resolution any officer of the City is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in case such officer is absent or unavailable.

Any and all actions and proceedings heretofore undertaken by the City with respect to the issuance of the Bond are hereby ratified and confirmed.

SECTION 9.14. *Effective Date of Resolution.* This Resolution shall take effect from and after the date of its adoption.

PASSED AND ADOPTED this ____ day of _____, 2013, by the following
vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Mayor of the City of Porterville

ATTEST:

City Clerk of the City of
Porterville

I, _____, the City Clerk of the City of Porterville, California,
do hereby certify that the foregoing is a full, true and correct copy of the Resolution
passed and adopted by the City Council at a duly held regular meeting thereof on the
____ day of _____, 2013, a majority of the members of said City Council being
present.

City Clerk of the City of Porterville

APPENDIX A
FORM OF BOND

No.

\$

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

CITY OF PORTERVILLE
2013 TAXABLE PENSION OBLIGATION BOND

RATE OF INTEREST: MATURITY DATE: ORIGINAL ISSUE DATE: CUSIP:

_____,

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THOUSAND DOLLARS

The CITY OF PORTERVILLE, a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State of California (the "City"), for value received, hereby promises to pay to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like lawful money from the date hereof, which date shall be the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th calendar day of the month preceding such Interest Payment Date (a "Record Date"), in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before _____, 20__, in which event it shall bear interest from the Original Issue Date identified above; *provided, however*, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on April 1 and October 1 in each year, commencing April 1, 2014 (the "Interest Payment Dates") until payment of such Principal Amount in full.

The Principal Amount hereof is payable upon presentation hereof to the City at City Hall, 291 N. Main Street, Porterville, California 93257 or such other place as designated by the City. Interest hereon is payable by check of the City mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of such Registered Owner as it appears on the registration books of the City

as of the preceding Record Date; provided that at the written request of the owner of (since the aggregate principal amount of the Bond is greater than \$1,000,000) which written request is on file with the City prior to the Record Date immediately preceding any Interest Payment Date, interest on the Bond shall be paid on such Interest Payment Date by wire transfer to such account within the United States of America as shall be specified in such written request.

This Bond is duly authorized and issued by the City and is designated as the "City of Porterville 2013 Taxable Pension Obligation Bond" (the "Bond") of an aggregate principal amount of \$_____, and is issued under the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53580 of said Code (the "Bond Law") and under the provisions of Resolution No. _____, adopted by the City on _____, 20__ (the "Resolution"). Reference is hereby made to the Resolution (copies of which are on file at the office of the City Clerk) and all supplements thereto and to the Bond Law for a description of the terms on which the Bond is issued, and the rights thereunder of the owner of the Bond and the rights and obligations of the City thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bond has been issued by the City to refinance the obligation of the City owing to the Public Employees Retirement System of the State of California in connection with the City's side fund obligation related to its public safety employees. This Bond and the interest hereon and all other parity obligations and the interest thereon (to the extent set forth in the Resolution) are payable from any source of legally available funds of the City.

The rights and obligations of the City and the owner of the Bond may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Resolution, but no such modification or amendment shall permit a change in the terms of maturity of the principal of the outstanding Bond or of any installment of interest thereon or a reduction in the rate of interest thereon without the consent of the owner of such Bond.

The Bond is subject to redemption prior to its stated maturity, at the option of the City, in whole or in part, on any Business Day from any moneys deposited in the Debt Service Fund for such purpose, at a prepayment price equal to one hundred percent (100%) of the principal amount thereof to be redeemed, plus accrued interest to the redemption date.

The Bond is issued as a Term Bond maturing on October 1, 2020 and is subject to mandatory redemption in part, by lot, without premium, on October 1, 2014 and on each October 1 thereafter, from the sinking fund payments that have been deposited into the Debt Service Fund, according to the following schedule:

PAYMENT DATE	PRINCIPAL AMOUNT
_____ 1, 20	
_____ 1, 20	
_____ 1, 20	
_____ 1, 20	

_____ 1, 20
_____ 1, 20
_____ 1, 20 (maturity)

As provided in the Resolution, the City is required to mail notice of redemption of the Bond by first class mail, postage prepaid, not less than 30 nor more than 60 days before the redemption date, to the registered owner of the thereof, but neither failure to receive such notice nor any defect in the notice so mailed affects the sufficiency of the proceedings for prepayment or the cessation of accrual of interest thereon. If this Bond is called for redemption and payment is duly provided therefor as specified in the Resolution, interest hereon will cease to accrue from and after the date fixed for redemption.

Whenever provision is made in the Resolution for the redemption of less than all of the Bond the City shall treat such Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

If an Event of Default occurs under and as defined in the Resolution, the principal of the Bond may be declared due and payable upon the conditions, in the manner and with the effect provided in the Resolution, but such declaration and its consequences may be rescinded and annulled as further provided in the Resolution.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at City Hall, 291 N. Main Street, Porterville, California 93257, or such other place as designated by the City, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond, of authorized denomination, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The City may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the City shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of the Bond permitted to be issued under the Resolution.

This Bond is not entitled to any benefit under the Resolution and is not valid or obligatory for any purpose until the certificate of authentication hereon endorsed has been signed by the City Clerk.

IN WITNESS WHEREOF, the CITY OF PORTERVILLE has caused this Bond to be executed in its name and on its behalf with the manual signature of the Mayor of the City and to be attested to by the manual signature of the City Clerk of the City, all as of the Original Issue Date specified above.

CITY OF PORTERVILLE

By _____
Mayor of the City

Attest:

City Clerk

LEGAL OPINION

I hereby certify that the following is a correct copy of the signed legal opinion of Raymond M. Haight, Bond Counsel, Scotts Valley, California, addressed to the City Council of the City of Porterville and on file in my office, dated the date of delivery of and payment for the Bond herein described.

City Clerk

—
Raymond M. Haight
Attorney at Law
Municipal Bond Counsel
5524 Scotts Valley Drive, Suite 23
Scotts Valley, California 95066

_____, 2013

City Council
City of Porterville
291 North Main Street
Porterville, California 93257

OPINION: \$ _____ City of Porterville
 2013 Taxable Pension Obligation Bond

Ladies and Gentlemen:

I have acted as bond counsel in connection with the issuance and delivery by the City of Porterville (the "City") of a bond in the aggregate principal amount of \$ _____ and designated the "City of Porterville 2013 Taxable Pension Obligation Bond" (the "Bond"), issued under the provisions of Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law") and Resolution No. _____ adopted by the City Council of the City on _____, 2013 (the "Resolution"). The Bond has been issued to provide funds to refund certain obligations of the City to the California Public Employees' Retirement System. I have examined the Bond Law and the Resolution, and such certified proceedings and other papers as I deem necessary to render this opinion.

As to questions of fact material to my opinion, I have relied upon representations of the City contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to me, without undertaking to verify the same by independent investigation.

Based upon the foregoing, I am of the opinion, under existing law, that:

1. The City is a charter city and municipal corporation organized and existing under the Constitution and laws of the State of California, with power to adopt the Resolution and perform the agreements on its part contained therein, issue the Bond.

2. The Bond constitutes a legal, valid and binding obligation of the City enforceable in accordance with its terms and payable solely from the sources provided therefor in the Resolution.

3. The Resolution has been duly authorized, executed and delivered by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

4. Interest on the Bond is exempt from personal income taxation imposed by the State of California, although interest on the Bond is not excluded from gross income for federal income tax purposes.

The rights of the owner of the Bond and the enforceability of the Bond and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance, and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

To ensure compliance with requirements imposed by the Internal Revenue Service, I inform you that any U.S. federal tax advice contained herein is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Respectfully submitted,

Raymond M. Haight

CITY CLERK'S CERTIFICATE OF AUTHENTICATION

This is the Bond described in the within-mentioned Resolution.

Dated:

FOR AND ON BEHALF OF THE CITY
OF PORTERVILLE

By _____
City Clerk

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the City with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

APPENDIX B

FORM OF ANNUAL CITY CERTIFICATION REGARDING BUDGET AND APPROPRIATION OF DEBT SERVICE

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting _____ of the City of Porterville, a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State of California (the "City"), and as such, I am familiar with the facts herein certified and am authorized and qualified to certify the same;

(ii) the City has previously issued its City of Porterville 2013 Taxable Pension Obligation Bond in the aggregate principal amount of \$_____ (the "Bond") under Resolution No. _____, adopted by the City Council on _____, 2013 (the "Resolution");

(iii) during the fiscal year commencing July 1, 20__ (the "Ensuing Fiscal Year"), the aggregate amount of principal and interest coming due on the Bond is \$_____;

(iv) on _____, 20__, the City Council of the City duly adopted Resolution No. _____ at a meeting which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption, adopting a budget for the City (the "Adopted Budget") with respect to the Ensuing Fiscal Year;

(v) pursuant to the Adopted Budget, the City has budgeted the payment of Debt Service coming due during the Ensuing Fiscal Year on the Bond; and

(vi) attached hereto is an extract from the Adopted Budget showing a line item for payment of Debt Service coming due during the Ensuing Fiscal Year on the Bond.

Capitalized terms used herein and not otherwise defined have the meanings given them in the Resolution.

Dated:

CITY OF PORTERVILLE

By: _____
Name:
Title:

\$ _____
CITY OF PORTERVILLE
(Tulare County, California)
2013 Taxable Pension Obligation Refunding Bond

BOND PURCHASE AGREEMENT

_____, 2013

City of Porterville
City Hall
291 N. Main Street
Porterville, CA _____

Ladies and Gentlemen:

The undersigned, Rabobank, N.A. (the "Purchaser"), offers to enter into this agreement with the City of Porterville (the "City"), which, upon your acceptance hereof, will be binding upon the City and the Purchaser. This offer is made subject to the written acceptance of this bond purchase agreement (the "Bond Purchase Agreement") by the delivery of such acceptance to the Purchaser at or prior to 5:00 P.M., Pacific time, on the date hereof.

Each capitalized term used this Bond Purchase Agreement that is defined in the Resolution (hereinafter defined) will have the meaning specified in the Resolution.

1. Purchase and Sale of the Bond. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Purchaser hereby agrees to purchase, and the City hereby agrees to issue and execute and cause the City Treasurer to authenticate and deliver to the Purchaser for such purpose, all (but not less than all) of the \$ _____ in aggregate principal amount of the City's 2013 Taxable Pension Obligation Refunding Bond (the "Bond").

The purchase price of the Bond shall be \$_____.

On the Closing Date the Purchaser, simultaneously upon its receipt of the Bond, shall disburse the purchase price of the Bond as follows:

- a. Purchaser shall wire transfer funds to PERS in payment of the principal amount of the Side Fund Obligation ("Side Fund Obligation") of the City to the California Public Employees' Retirement System ("PERS"), including any interest due thereon, in the aggregate amount of \$_____.
- b. Purchaser shall pay its counsel fees and costs incurred in connection with this transaction in the amount of \$_____.
- c. Purchaser shall retain its loan fee in the amount of \$40,000.00.
- d. Purchaser shall wire transfer funds in payment of the City's Bond Counsel fees and costs in the amount of \$_____, upon receipt of a Written Request of the City (in a form approved by the Purchaser) relating thereto.
- e. Purchaser shall wire transfer funds in payment of the City's Placement Agents fees and costs in the amount of \$_____, upon receipt of a Written Request of the City (in a form approved by the Purchaser) relating thereto.
- f. Purchaser shall wire transfer to City the balance of the proceeds in the amount of \$_____, to be utilized by City for paying its remaining costs of issuance (including, but not limited to, all costs and fees related to the City's validation action in obtaining judicial validation of the Bond and costs of the California Debt Investment and Advisory Commission).

The City acknowledges and agrees that (i) the purchase and sale of the Bond pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between the City and the Purchaser, (ii) in connection with such transaction, the Purchaser is acting solely as a principal and not as an advisor (including, without limitation, a Municipal Advisor (as such term is defined in section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act)), agent or a fiduciary of the City, (iii) the Purchaser has financial and other interests that differ from those of the City, and (iv) the City has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bond.

2. The Bond. The Bond is issued under Article 11 of Chapter 3 (commencing with section 53580) of Part 1 of Division 2 of Title 5 of the California Government Code, as in effect on the Closing Date or as thereafter amended (the "Bond Law"), and pursuant to a Resolution No. ____ adopted by the City Council of the City on _____, 2013 (the "Resolution").

The principal of and interest on the Bond is payable from any source of legally available funds of the City, including amounts on deposit in the General Fund of the City.

The obligations of the City under the Bond, including the obligation to make all payments of principal of and interest on the Bond when due and the obligation of the City to make the deposits required under the Resolution, are for the security of the Bond, and are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Bond does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Bond nor the obligations of the City to make payments on the Bond 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 Bond will be issued as a fully registered bond, without coupons, in the denomination of \$_____.

The Bond will be dated as of their date of delivery. The Bond will mature on October 1, 2020, and will bear interest at the rate of _____% per annum, payable semiannually on each April 1 and October 1, commencing April 1, 2014. The Bond will be subject to optional and sinking fund redemption prior to maturity in the amounts, on the dates and at the prices set forth in Exhibit A attached hereto.

Upon the occurrence of an Event of Default, the principal balance of the Bond shall, from the date of an Event of Default until the date the Purchaser notifies the City that such Event of Default is waived or cured, bear interest at the Default Rate. The "Default Rate" means the rate per annum which is equal to the fixed rate in effect with respect to the Bond plus 5.00% per annum. The provisions of this section will not constitute a waiver of any Event of Default.

The Bond is being issued to refund the side fund obligation of the City with respect to its public safety employees that is owed to the California Public Employees' Retirement System ("PERS") in the amount of \$_____ and to pay Costs of Issuance, and the City is authorized to issue bonds for such purpose under the provisions of the Bond Law.

3. Use of Documents. The City hereby authorizes the Purchaser to use, in connection with the offer and sale of the Bond, this Bond Purchase Agreement, the Resolution, and all information contained herein and therein and all of the documents, certificates or statements furnished by the City to the Purchaser in connection with the transactions contemplated by this Bond Purchase Agreement.

4. Private Placement; Bond Constitute Investment of Purchaser.

(a) The Purchaser has sufficient knowledge and experience in financial and business matters, including lending to state and local governments in the form of municipal and other obligations of a nature similar to the Bond to be able to evaluate the risks and merits of lending to the City by the purchase of the Bond.

(b) The Purchaser is acquiring the Bond for its own account and not with a view to, or for sale in connection with, any distribution of the Bond or any part thereof. The Purchaser has not offered to sell, solicited offers to buy, or agreed to sell the Bond or any part thereof, and the Purchaser has no current intention of reselling or otherwise disposing of the Bond *provided, however,* such representation shall not preclude the Purchaser from transferring or selling the

Bond in accordance with the Resolution. The Purchaser is not acting in a broker-dealer capacity in connection with the loan represented by its purchase of the Bond.

(c) As a sophisticated investor, the Purchaser has made its own credit inquiry and analysis with respect to the City and the Bond and has made an independent credit decision based upon such inquiry and analysis and in reliance on the truth, accuracy, and completeness of the representations and warranties of the City set forth in the Resolution, this Bond Purchase Agreement and in the information set forth in any materials submitted to the Purchaser by the City. The City has furnished to the Purchaser all the information which the Purchaser, as a reasonable investor, has requested of the City as a result of the Purchaser having attached significance thereto in making its investment decision with respect to the Bond, and the Purchaser has had the opportunity to ask questions of and receive answers from knowledgeable individuals concerning the City and the Bond. The Purchaser is able and willing to bear the economic risk of the purchase and ownership of the Bond.

(d) The Purchaser understands that the Bond has not been registered under the United States Securities Act of 1933 or under any state securities laws. The Purchaser agrees that it will comply with any applicable state and federal securities laws then in effect with respect to any disposition of the Bond by it, and further acknowledges that any current exemption from registration of the Bond does not affect or diminish such requirements.

(e) The Purchaser has authority to lend funds to the City by paying the purchase price of the Bond and to execute this Bond Purchase Agreement and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bond. The undersigned is a duly appointed, qualified, and acting officer of the Purchaser and is authorized to cause the Purchaser to make the representations and warranties contained herein by execution of this Bond Purchase Agreement on behalf of the Purchaser.

(f) The Purchaser has been informed that the Bond (i) has not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, and (ii) will not be listed on any stock or other securities exchange.

(g) The Purchaser acknowledges that the Bond is transferable subject to certain requirements, as described in the Resolution.

(h) The Purchaser acknowledges that the Bond is exempt from the requirements of Rule 15c2-12 of the Securities and Exchange Commission and that the City has not undertaken to provide any continuing disclosure with respect to the Bond.

(i) The Purchaser does hereby represent and warrant that it has received an executed copy of, and has reviewed and fully understands the provisions of, the Resolution; that it has had an opportunity to have an attorney of its choice review the same and advise it in connection therewith; and that it does hereby accept and agree to be bound by the provisions thereof, including, without limitation, the provisions of Section 3.02 thereof relating to disbursement of the proceeds of the Bond for purposes of paying Costs of Issuance.

5. Closing. At 8:00 A.M., California time, on _____, 2013, or at such other time or on such other date as shall have been mutually agreed upon by the City and the Purchaser (the "Closing"), you will deliver to us (except as otherwise provided in the Resolution), at such place

as we may mutually agree upon, the Bond, duly executed and registered in the name of the Purchaser, and the other documents hereinafter mentioned; and we will accept such delivery and pay the purchase price thereof in immediately available funds by check, draft or wire transfer to or upon the order of the City.

6. Representations, Warranties and Agreements of the City. The City hereby represents, warrants and agrees with the Purchaser that:

(a) *Due Organization.* The City is a municipal corporation and charter city duly organized and existing under the Constitution and laws of the State of California, with the power to issue the Bond.

(b) *Due Authorization.* (i) At or prior to the Closing, the City will have taken all action required to be taken by it to authorize the issuance and delivery of the Bond and the refunding of the aforesaid obligation that is owed to PERS; (ii) the City has full legal right, power and authority to enter into this Bond Purchase Agreement, to adopt the Resolution, and to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Bond Purchase Agreement and the Resolution; (iii) the execution and delivery or adoption of, and the performance by the City of the obligations contained in the Bond, the Resolution, and this Bond Purchase Agreement have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Bond Purchase Agreement and the Resolution constitute the valid and legally binding obligations of the City, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases; (v) the City has duly authorized the consummation by it of all transactions contemplated by this Bond Purchase Agreement and the Resolution; and (vi) the City has caused the issuance of the Bond to be validated by the Superior Court of the State of California, in and for the County of Tulare, in Case No. _____, and judgment has been entered in connection with such action, and all appeal periods have concluded without the filing of any appeal to such judgment. The City will not amend, terminate or rescind, and will not agree to any amendment, termination or rescission of the Resolution or this Bond Purchase Agreement without the prior written consent of the Purchaser prior to the Closing.

(c) *Consents.* Other than the adoption of the Resolution, no consent, approval, authorization, order, filing, registration, qualification, election or referendum of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bond or the consummation of the other transactions effected or contemplated herein or hereby.

(d) *No Conflicts.* To the best knowledge of the City, the issuance of the Bond and the refunding of the side fund obligation that is owed to PERS, and the execution, delivery and performance of this Bond Purchase Agreement, the Resolution and the Bond, and the compliance with the provisions hereof do not conflict with or constitute on the part of the City a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the City is a party or by which it is bound or to which it is subject.

(e) *Litigation.* As of the time of acceptance hereof, based on the advice of counsel to the City, no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the City, threatened against the City: (i) in any way affecting the existence of the City or in any way challenging the respective powers of the several offices or of the titles of the officials of the City to such offices; (ii) seeking to restrain or enjoin the sale, issuance or delivery of the Bond, the application of the proceeds of the sale of the Bond, or the application of revenues of the City from any legally available source, including its general fund, to pay the principal of and interest on the Bond, contemplated by the Resolution or in any way contesting or affecting the validity or enforceability of the Bond, this Bond Purchase Agreement or the Resolution or contesting the powers of the City or its authority with respect to the Bond, the Resolution or this Bond Purchase Agreement; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the City or the consummation of the transactions contemplated by this Bond Purchase Agreement or the Resolution, (b) declare this Bond Purchase Agreement or the Resolution to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exemption of interest on the Bond from State of California personal income taxation.

It is hereby acknowledged that interest on the Bond is not excluded from gross income for federal income tax purposes.

(f) *No Other Debt.* Between the date hereof and the Closing, without the prior written consent of the Purchaser, the City will not have issued any bonds, notes or certificates of participation.

(g) *Certificates.* Any certificates signed by any officer of the City and delivered to the Purchaser shall be deemed a representation by the City to the Purchaser, but not by the person signing the same, as to the statements made therein.

7. Covenants of the City. The City covenants and agrees, so long as Purchaser is the owner of the Bond:

(a) *Use of Proceeds.* To use the proceeds from the sale of the Bond solely for the purposes specified in the Resolution.

(b) *Payment of Obligations.* The City shall pay and discharge all of its obligations and liabilities when due and will appropriate funds for the payment of the Bond on an annual basis.

(c) *Book and Records.* The City shall maintain proper books of record and account including full, true, and correct entries of all dealings and transactions relating to its business and activities, in all material respects in conformity with generally accepted accounting principles.

(d) *Financial Information.* To provide the following financial information and statements in form and content acceptable to the Purchaser, and such additional information as requested by the Purchaser from time to time:

(i) Within 200 days following the end of each of the City's fiscal years, commencing after the end of the 2012 fiscal year, the annual financial statements of the City, certified and dated by an authorized financial officer of the City. These financial statements must be audited by a

certified public accountant (chosen by City in accordance with its normal selection procedures) and include an auditor's opinion.

(ii) Within 60 days after the adoption of the City's annual budget, a copy of the adopted budget and a certificate in substantially the form attached as Appendix B to the Resolution, signed by an authorized officer of the City, evidencing compliance by the City with the covenants set forth in Section 5.02 of the Resolution.

(iii) Within 15 days following the end of each of the City's fiscal years, a compliance certificate of the City, signed by an authorized financial officer of the City and setting forth (1) the information and computations to establish compliance with all financial covenants at the end of the period covered by the financial statements then being furnished and (2) whether there existed as of the date of such financial statements and whether there exists as of the date of the certificate, any default under the Bond Purchase Agreement and, if any such default exists, specifying the nature thereof and the action the City is taking and proposes to take with respect thereto.

(iv) Such other information regarding the business, affairs and condition of the City as the Purchaser may from time to time reasonably request.

(e) *Inspections.* The City shall, at any reasonable time and from time to time, permit the Purchaser or any of its agents or representatives to examine and make copies of and abstracts from the records and books of account related to the transactions contemplated by this Bond Purchase Agreement, and to discuss the affairs, finances, and accounts of the City with any of its officers or any of its independent accountants.

(f) *Maintenance of Approvals.* The City shall at all times maintain in effect, renew and comply with all the terms and conditions of all approvals and authorizations as may be necessary or appropriate under any applicable law or regulation for its execution, delivery and performance of this Bond Purchase Agreement and the Resolution.

(g) *Other Acts.* Upon request by the Purchaser, the City shall cooperate with the Purchaser for the purpose of carrying out, and shall perform all acts which may be necessary or advisable to carry out, the intent of this Bond Purchase Agreement and the Resolution.

8. Conditions to Closing. The Purchaser has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the City contained herein and the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Purchaser's obligations to take up and pay for the Bond under this Bond Purchase Agreement are and shall be subject at the option of the Purchaser, to the following further conditions at the Closing:

(a) *Representations True.* The representations and warranties of the City contained herein shall be true, complete and correct in all material respects at the date hereof and as of the Closing as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Purchaser at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the City shall be in compliance with each of the agreements made by it in this Bond Purchase Agreement;

(b) *Obligations Performed.* At the time of the Closing, (i) this Bond Purchase Agreement, and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Purchaser; (ii) all actions which, in the opinion of Raymond M. Haight ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby shall have been duly taken and shall be in full force and effect; and (iii) the City shall perform or have performed all of its obligations required under or specified in the Resolution or this Bond Purchase Agreement to be performed at or prior to the Closing;

(c) *Adverse Rulings.* No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Bond Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the City, pending or threatened which has any of the effects described in Section 6(f) hereof.

(d) *Delivery of Documents.* At or prior to the date of the Closing, Bond Counsel shall deliver sufficient copies of the following documents, in each case dated as of the Closing and satisfactory in form and substance to the Purchaser:

(1) Bond Opinion. An approving opinion of Bond Counsel, as to the validity and tax-exempt status of interest on the Bond from personal income taxation by the State of California, dated the date of the Closing, addressed to the City (it is herein acknowledged that interest on the Bond is not excluded from gross income for purposes of federal taxation);

(2) Reliance Letter. A reliance letter from Bond Counsel to the effect that the Purchaser can rely upon the approving opinion described in (d)(1) above;

(3) Supplemental Opinion. A supplemental opinion of Bond Counsel, dated the date of the Closing, addressed to the Purchaser to the effect that:

(i) this Bond Purchase Agreement and the Resolution have been duly executed and delivered by the City and, assuming due authorization, execution and delivery by and validity against the parties thereto, are valid and binding agreements of the City, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases; and

(ii) the Bond is not subject to the registration requirements of the Securities Act and the Resolution is exempt from qualification under the Trust Indenture Act.

(4) Additional Certificates. Certificates signed by appropriate officials of the City to the effect that (i) such officials are authorized to execute this Bond Purchase Agreement, (ii) the representations, agreements and warranties of the City herein are true and correct in all material respects as of the date of Closing, (iii) the City has complied with all the terms of the Resolution and this Bond Purchase Agreement which are necessary to be complied with prior to or concurrently with the Closing and such documents are in full force and effect, and (iv) the Bond being delivered on the date of

the Closing to the Purchaser under this Bond Purchase Agreement conforms substantially to the description thereof contained in the Resolution;

(5) Resolution. A certificate, together with fully executed copies of the Resolution, of the City Clerk to the effect that:

(i) such copies are true and correct copies of the Resolution; and

(ii) that the Resolution was duly adopted and neither has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing.

(7) Other Documents. Such additional legal opinions, certificates, proceedings, instruments and other documents as the Purchaser may reasonably request to evidence (i) compliance by the City with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the City herein contained, and (iii) the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City; and

(e) Termination. Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bond shall not have been delivered by the City to the Purchaser prior to the close of business, California Time, on _____, 2013, then the obligation to purchase the Bond hereunder shall terminate and be of no further force or effect except with respect to the obligations of the City under Section 10 hereof.

If the City shall be unable to satisfy the conditions to the Purchaser's obligations contained in this Bond Purchase Agreement or if the Purchaser's obligations shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement may be canceled by the Purchaser at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the City in writing, or by telephone or email, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the City hereunder and the performance of any and all conditions contained herein for the benefit of the Purchaser may be waived by the Purchaser in writing at its sole discretion.

9. Conditions to Obligations of the City. The performance by the City of its obligations is conditioned upon (i) the performance by the Purchaser of its obligations hereunder; and (ii) receipt by the City and the Purchaser of opinions and certificates being delivered at the Closing by persons and entities other than the City.

10. Notices. Any notice or other communication to be given under this Bond Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing: if to the City, to the City Manager, City of Porterville, or if to the Purchaser, to Rabobank, N.A., 915 Highland Pointe Drive, Suite 350, Roseville, CA 95678, Attention: Commercial Loan Administration Services.

11. Events of Default. The Events of Default described in Section 8.01 of the Resolution shall also constitute events of default under this Bond Purchase Agreement. In addition, the

Purchaser shall have all the rights and remedies described in Section 8.02 of the Resolution to enforce the terms and conditions of this Bond Purchase Agreement.

12. Parties in Interest; Survival of Representations and Warranties. This Bond Purchase Agreement when accepted by the City in writing as heretofore specified shall constitute the entire agreement among the City and the Purchaser with respect to the subject matter hereof. This Bond Purchase Agreement is made solely for the benefit of the City and the Purchaser (including the successors of the Purchaser and any other owner from time to time of the Bond in accordance with the provisions of the Resolution). No other person shall acquire or have any rights hereunder or by virtue hereof. All representations, warranties and agreements of the City in this Bond Purchase Agreement shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Purchaser, (b) delivery of and payment by the Purchaser for the Bond hereunder, and (c) any termination of this Bond Purchase Agreement.

13. Execution in Counterparts. This Bond Purchase Agreement may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute but one and the same document.

14. Applicable Law. This Bond Purchase Agreement shall be interpreted, governed and enforced in accordance with the law of the State of California applicable to contracts made and performed in such State.

Very truly yours,

RABOBANK, N.A., as Purchaser

By _____
Name _____
Title _____

The foregoing is hereby agreed to and
accepted as of the date first above written:

CITY OF PORTERVILLE

By _____
Name _____
Title _____

EXHIBIT A

OPTIONAL AND MANDATORY REDEMPTION PROVISIONS

Optional Redemption. The Bond is subject to redemption prior to its stated maturity, at the option of the City, in whole or in part, on any Business Day from any moneys on deposit in the Debt Service Fund for such purpose, at a prepayment price equal to one hundred percent (100%) of the principal amount thereof to be redeemed together with a premium (computed on the principal amount to be redeemed) of __%, plus accrued interest to the redemption date.

Mandatory Redemption. The Term Bond maturing on October 1, 2020 is subject to mandatory redemption in part, by lot, without premium, on October 1, 2014 and on each April 1 and October 1 thereafter, from the sinking fund payments that have been deposited into the Debt Service Fund, according to the following schedule:

PAYMENT DATE	PRINCIPAL AMOUNT
_____ 1, 20	
_____ 1, 20	
_____ 1, 20	
_____ 1, 20	
_____ 1, 20	
_____ 1, 20	
_____ 1, 20 (maturity)	

Raymond M. Haight
Attorney at Law
5524 Scotts Valley Drive, Suite 23
Scotts Valley, CA 95066

(831) 438-6614

Fax: (831) 438-6667

July 9, 2013

Honorable Mayor and City Council Members
City of Porterville
291 North Main Street
Porterville, CA 93257

Re: Fee Agreement Related to
\$ _____
City of Porterville
2013 Taxable Pension Obligation Bonds

Dear Honorable City Council:

Detailed below is my form of agreement to conduct certain proceedings (presently contemplated by you) with respect to the proposed execution and delivery of City of Porterville ("City") 2013 Taxable Pension Obligation Bonds (or other financial instruments or documents) for the purpose of refunding the outstanding obligation of City to the California Public Employees Retirement System (CalPERS) in connection with City's public safety employee side fund.

In connection with the contemplated proceedings, I agree to represent and serve you as bond counsel as herein provided:

Bond Counsel Services:

1. Consult with you and your staff in order to provide a coordinated financial and legal program for the funding.
2. Attend all meetings of the City Council or other bodies relating to the proceedings including, at your request, all informal meetings when called upon by you.
3. Confer with the underwriter, including the review of its contract for legal sufficiency.
4. Prepare all agreements, certificates, resolutions, orders, notices, closing documents, affidavits and other documents or correspondence of a legal nature as may be necessary in the conduct of said proceedings and in the execution and delivery of the 2013 Taxable Pension Obligation Bonds ("Bonds") (or other financial instruments or documents) for the purpose of accomplishing the refunding of the obligation of City to CalPERS, including providing a legal opinion regarding the sufficiency of the proceedings and the validity of the Bonds (or other

Honorable City Council
City of Porterville
July 9, 2013
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financial instruments and documents) executed and delivered.

5. During the course of the proceedings, advise your consultants or staff by telephone, correspondence or conference as to legal questions involving the City and relating to said proceedings.

Without limitation, the following specific services are not included in my flat fee:

- (a) Bond printing;
- (b) Services in representing the City in litigation concerning the legality of the proceedings, as well as any uncontested validating suit recommended by me to be taken.

For any excluded service referenced in (a) and (b), above, which is delegated by the City to me for performance, and is accepted by me, I shall be paid a reasonable fee on an hourly basis or a lump sum, as agreed upon by the parties at the time of delegation.

Bond Counsel Fees and Costs:

For those services as set forth above in Paragraph Nos. 1 through 5, inclusive, my fee shall be a flat rate of \$50,000, inclusive of expenses, to be assessed as an incidental expense of the proceedings, payable from Bond proceeds and not otherwise. If bonds (or other financial instruments or documents) are not executed and delivered for the purpose of refunding the outstanding obligation of the City to CalPERS, no fees or expenses shall be due.

If this agreement is acceptable please so indicate by causing the same to be executed hereinbelow.

Very truly yours,

RAYMOND M. HAIGHT

Honorable City Council
City of Porterville
July 9, 2013
Page -3-

The foregoing agreement was accepted by the City Council of the City of Porterville at a regular meeting thereof held on the ____ day of _____, 2013.

FOR AND ON BEHALF OF THE CITY
OF PORTERVILLE

By: _____

AGENDA: May 21, 2013

SUBJECT: CONSIDERATION OF REFINANCING UNFUNDED CALPERS PUBLIC SAFETY PLAN SIDE FUND OBLIGATION

SOURCE: Administration


COMMENT: In September 2003, CalPERS combined the retirement plans for public agencies with small groups (less than 100 employees) in an attempt to reduce the volatility of employer contribution rates, these agencies being placed in risk pools. At that time, the City's Police and Fire plans each had fewer than 100 employees. All agencies belonging to a risk pool are required to have the same contract provisions. Actuarial risk and the normal employer rate are calculated based on the entire pool rather than by individual entity. In addition to the normal rate, each entity that had an unfunded liability upon entering the pool was additionally assessed. CalPERS created a "Side Fund" to amortize each agency's unfunded liability over a fixed term at a fixed rate. The CalPERS Side Fund charges interest at a rate of 7.50%, equivalent to what CalPERS believes their annual average investment return rate would have been had they retained the funds to invest over twenty years.

The Side Fund expense is part of the employer's rate for CalPERS. The unfunded liability in the City's Side Fund is approximately \$3.7 million, and is equivalent to 9.565% of the employer's share of the overall 31.234% Public Safety Plan CalPERS employer contribution rate for FY 2013/2014. Any savings on annual interest payments as a result of a lower interest rate would reduce this percentage and could be substantial.

Given the recent successful refinancing of the 2005 Certificates of Participation in coordination with Rabobank, the City has been presented with an opportunity to pay off the Side Fund obligation by issuing a pension obligation bond through Rabobank at a 3.0% fixed interest rate. Refinancing the CalPERS Side Fund for public safety employees presents an opportunity to realize approximately \$350,000 in interest savings over the next seven (7) years, or the current term of the Side Fund obligation. This opportunity only exists for groups in risk pools, and therefore is not available for the Miscellaneous CalPERS Plan.

It is staff's recommendation to authorize the City Manager to sign the offered Term Sheet, and allow Rabobank to begin the proceedings toward the refunding of the CalPERS "Side Fund" obligation for interest savings.

Dir. 

Appropriated/Funded 

C/M 

Item No. 19

RECOMMENDATION: That the City Council consider proceeding with Rabobank in the refunding of the CalPERS Public Safety Side Fund, and authorize the City Manager to sign the offered Term Sheet.

ATTACHMENT: 1. Rabobank Term Sheet
2. CalPERS Public Safety Plan Annual Valuation Report



City of Porterville
Indicative Terms and Conditions as of May 15, 2013

By accepting this term sheet the City of Porterville (the "City") agrees that (i) it shall use the information contained herein solely for the purpose of evaluating a possible transaction between the City and Rabobank, N.A. (the "Bank") and for no other purpose and (ii) the City and its representatives will keep confidential and not disclose any of such information to any third parties other than its financial advisor and legal counsel, including the fact that the City is considering a possible transaction with the Bank. *This proposal is not a commitment. The terms and conditions contained in this proposal are not intended to be exhaustive or all-inclusive, and the final legal documentation may include additional or different terms and conditions required by the Bank that are not included herein.*

Borrower:	The City of Porterville.
Bank:	Rabobank, N.A.
Purpose:	To provide refunding of 'Side Fund' obligation for interest savings.
Amount:	\$4,000,000.
Use and Investment of Proceeds:	The City will invest and apply the proceeds of the sale of the bonds only as permitted by applicable law. Proceeds of the bonds will be used to refinance its side fund obligation to CalPERS.
Interest Rate:	3.0% fixed (indexed at 280 basis points over 1 month Libor)
Maturity:	7 years.
Nature of Obligation and Repayment:	Obligation is payable from any source of legally available funds of the City, including amounts on deposit in the general fund of the City. Principal and interest to be paid on same dates as existing Porterville loan with Rabobank, N.A..
Bank Fee:	\$40,000.
Legal Fees/Expenses:	Estimated \$20,000.
Bank Counsel:	TBD
Opinion of City's Counsel:	The Bank shall receive an opinion of counsel to the City acceptable to the Bank, including among other things an opinion that the debt has been



duly and validly authorized by the City and when issued and delivered to the Bank will each constitute a legal valid and binding obligation of the City, enforceable in accordance with its terms.

Documentation:

To be determined by bank counsel and borrower's counsel.

Conditions Precedent:

Any terms and conditions the Bank may reasonably require for transactions of this nature, including the following:

- No default on any outstanding indebtedness.

Credit Approval and Offer
Expiration:

This term sheet is an indication of interest only and is not a commitment to lend. Any offer by the Bank in connection with the proposed transaction will be subject to the Bank's satisfactory completion of its due diligence review of the City, the Authority and final credit approval by the Bank.

The Bank anticipates, but cannot guaranty, being able to provide its credit decision within weeks of being given the mandate to purchase the warrants. The terms described herein expire May 15, 2013 unless extended by the Bank.

Absence of Fiduciary
Relationship:

The City acknowledges that the transactions described in this document are arms'-length commercial transactions and that the Bank is acting as principal and in its best interests. The City is relying on its own experts, lawyers and advisors to determine whether the transactions described in this document are in its best interests. The City agrees that the Bank will act under this document as an independent contractor and that nothing in this document, the nature of the Bank's services or in any prior relationship will be deemed to create an advisory, fiduciary or agency relationship between the Bank, on the one hand, and the City, on the other hand. In addition, the Bank may employ the services of its affiliates in providing certain services in connection with the transactions described in this document and may exchange with such affiliates information concerning the City that may be the subject of the transactions described in this term sheet.

Please note that the Bank and its affiliates do not provide tax, accounting or legal advice. The Bank and its advisors are not serving as a municipal advisor to the City.

Anti-tying Disclosure:

The extension of commercial loans or other products or services to the City by the Bank or any of its subsidiaries will not be conditioned on the City's taking other products or services offered by the Bank or any of its



subsidiaries or affiliates, unless such a condition is permitted under an exception to the anti-tying provisions of the U.S. Bank Holding Company Act of 1956, as amended, and the regulations issued by the Federal Reserve Board implementing the anti-tying rules (collectively, the "Anti-tying Rules"). The Bank will not vary the price or other terms of any product or service offered by the Bank or its subsidiaries on the condition that the City purchase another product or service from the Bank or any affiliate, unless the Bank is authorized to do so under an exception to the Anti-tying Rules. The Bank will not require the City to provide property or services to the Bank or any affiliate as a condition to the extension of a commercial loan to the City by the Bank or any of its subsidiaries, unless such a requirement is reasonably required to protect the safety and soundness of the loan. The Bank will not require the City to refrain from doing business with a competitor of the Bank or any of its affiliates as a condition to receiving a commercial loan from the Bank or any of its subsidiaries, unless the requirement is reasonably designed to ensure the soundness of the loan.

Bank Contacts:

Ian Carroll
Senior Vice President
Rabobank, N.A.
915 Highland Pointe Drive, Suite 350
Roseville, CA 95678
Telephone: 916-878-4655
Mobile: 916-494-9770
Fax: 916-494-9770
E-Mail: Ian.Carroll@rabobank.com

Acknowledged and
Consented:

By: _____
John Lollis
CITY OF PORTERVILL

This document has been prepared by the Bank for information purposes only. This document is an indicative summary of the terms and conditions of the transaction described herein and may be amended, superseded or replaced by subsequent summaries. The final terms and conditions of the transaction will be set out in full in the applicable binding transaction document(s).

This document shall not constitute a commitment to participate in the transaction described herein, which shall be subject to the Bank's internal approvals. No transaction or services related thereto is contemplated without the Bank's subsequent formal agreement. The Bank is acting solely as principal and not as advisor or fiduciary. Accordingly you must independently determine, with your own advisors,



the appropriateness for you of the transaction before investing or transacting. The Bank accepts no liability whatsoever for any direct, consequential or other losses arising from the use of this document or reliance on the information contained herein.

The Bank does not guarantee the accuracy or completeness of information which is contained in this document and which is stated to have been obtained from or is based upon trade and statistical services or other third party sources. Any data on past performance, modelling or back-testing contained herein is no indication as to future performance. No representation is made as to the reasonableness of the assumptions made within or the accuracy or completeness of any modeling or back-testing. All opinions and estimates are given as of the date hereof and are subject to change. The information in this document is not intended to predict actual results and no assurances are given with respect thereto.

The Bank, its affiliates and the individuals associated therewith may (in various capacities) participate in transactions identical or similar to those described herein.

IRS Circular 230 Disclosure: The Bank and its affiliates do not provide tax advice. Please note that (i) any discussion of US tax matters contained in this communication (including any attachments) cannot be used by you for the purpose of avoiding tax penalties; (ii) this communication was written to support the promotion or marketing of the matters addressed herein; and (iii) you should seek advice based on your particular circumstances from an independent tax advisor.

THIS DOCUMENT DOES NOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ISSUES RELATED TO THE POTENTIAL TRANSACTION. PRIOR TO TRANSACTING, POTENTIAL PARTICIPANTS SHOULD ENSURE THAT THEY FULLY UNDERSTAND THE TERMS OF THE TRANSACTION AND ANY APPLICABLE RISKS.



California Public Employees' Retirement System
Actuarial Office
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (916) 795-3240
(888) 225-7377 phone • (916) 795-2744 fax
www.calpers.ca.gov

October 2012

**SAFETY PLAN OF THE CITY OF PORTERVILLE (CalPERS ID 5259660063)
Annual Valuation Report as of June 30, 2011**

Dear Employer,

As an attachment to this letter, you will find a copy of Section 1 of the June 30, 2011 actuarial valuation report of your pension plan. Since your plan had less than 100 active members in at least one valuation since June 30, 2003, it is required to participate in a risk pool. The valuation report is divided into two Sections:

- Section 1 contains specific information for your plan, including the development of your pooled employer contribution rate, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to your plan, as of June 30, 2011.

Section 2 may be found on the CalPERS website (www.calpers.ca.gov) then selecting Employers >Actuarial & GASB 27 Information >Risk Pooling >Risk Pool Annual Valuation Report, or at the following address: <http://ow.ly/eNpMg>.

This report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary is available to discuss the report with you.

Changes Since the Prior Valuation

The CalPERS' Board of Administration adopted updated actuarial assumptions to be used beginning with the June 30, 2011 valuation. The inflation rate changed from 3% to 2.75% and the discount rate changed from 7.75% to 7.5%. In addition, a temporary modification to our method of determining the actuarial value of assets and amortizing gains and losses was implemented for the valuations as of June 30, 2009 through June 30, 2011. The effect of those modifications continues in this valuation.

There may also be changes specific to your plan such as contract amendments and funding changes.

Future Contribution Rates

The exhibit below displays the required employer contribution rate and Superfunded status for 2013/2014 along with an estimate of the contribution rate and Superfunded status for 2014/2015. The estimated rate for 2014/2015 is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal 2011/2012, namely 0%. See Section 2 Appendix E, "Analysis of Future Investment Return Scenarios", for how much the Risk Pool's portion of your rate is expected to increase in 2015/2016 rate projections under a variety of investment return scenarios for the Risk Pool's portion of your rate. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2013/2014	31.234%	No
2014/2015	32.8% (projected)	No

Member contributions (whether paid by the employer or the employee) are in addition to the above rates. Further, these rates do not reflect any cost sharing.

The estimate for 2014/2015 assumes that there are no future amendments and no liability gains or losses (such as larger than expected pay increases, more retirements than expected, etc.). This is a very important assumption because these gains and losses do occur and can have a significant effect on your contribution rate. Even for the largest plans, such gains and losses can impact the employer's contribution rate by one or two percent or even more in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rate for 2014/2015 is just an estimate. Your actual rate for 2014/2015 will be provided in next year's report.

California Actuarial Advisory Panel Recommendations

The report satisfies all basic disclosure requirements under the Model Disclosure Elements for Actuarial Valuation Reports recommended by the California Actuarial Advisory Panel, except for the original base amounts of the unfunded liability amortization.

The report gives the following additional information classified as enhanced risk disclosures under the Model Disclosure Elements for Actuarial Valuation Reports recommended by the California Actuarial Advisory Panel:

- "Deterministic stress test", projecting future results under different investment income scenarios. (See Appendix E's Analysis of Future Investment Return Scenarios, from Section 2 of this report.)
- "Sensitivity analysis", showing the impact on current valuation results of a plus or minus 1% change in the discount rate. (See Appendix E's Analysis of Discount Rate Sensitivity, from Section 2 of this report.)

We are very busy preparing actuarial valuations for other public agencies and expect to complete all such valuations by the end of October. We understand that you might have a number of questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their result, we ask that, if at all possible, you wait until after October 31 to contact us with questions. If you have questions, please call (888) CalPERS (225-7377).

Sincerely,



ALAN MILLIGAN,
Chief Actuary



ACTUARIAL VALUATION
as of June 30, 2011

**for the
SAFETY PLAN
of the
CITY OF PORTERVILLE**
(CalPERS ID 5259660063)

**REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
July 1, 2013 - June 30, 2014**

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SECTION 2 – RISK POOL ACTUARIAL VALUATION INFORMATION

Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Plan Specific Information for the SAFETY PLAN of the CITY OF PORTERVILLE

**(CalPERS ID 5259660063)
(Rate Plan # 1389)**

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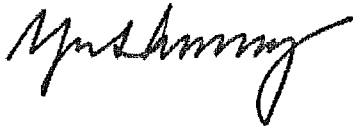
ACTUARIAL CERTIFICATION

Section 1 of this report is based on the member and financial data contained in our records as of June 30, 2011 which was provided by your agency and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2011 provided by employers participating in the risk pool to which your plan belongs and benefit provisions under the CalPERS contracts for those agencies.

As set forth in Section 2 of this report, the Pool Actuary has certified that, in her opinion, the valuation of the Risk Pool containing your SAFETY PLAN has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the Risk Pool, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for your plan, it is my opinion as your Plan Actuary that the Side Fund as of June 30, 2011 and employer contribution rate as of July 1, 2013, have been properly and accurately determined in accordance with the principles and standards stated above.

The undersigned is an actuary for CalPERS, who is a member of both the American Academy of Actuaries and Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



MAY SHUANG YU for KELLY STURM, ASA, MAAA
Senior Pension Actuary, CalPERS
Plan Actuary

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HIGHLIGHTS AND EXECUTIVE SUMMARY

Purpose of Section 1

This section 1 report for the SAFETY PLAN of the CITY OF PORTERVILLE of the California Public Employees' Retirement System (CalPERS) was prepared by the Plan Actuary in order to:

- set forth the actuarial assets and accrued liabilities of this plan as of June 30, 2011;
- determine the required employer contribution rate for this plan for the fiscal year July 1, 2013 through June 30, 2014;
- provide actuarial information as of June 30, 2011 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2011 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Cost Sharing Multiple Employer Defined Benefit Pension Plan.

The use of this report for any other purposes may be inappropriate. In particular, this report does not contain information applicable to alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY PLAN OF THE CITY OF PORTERVILLE

Required Employer Contributions

	Fiscal Year 2012/2013	Fiscal Year 2013/2014
Employer Contribution Required (in Projected Dollars)		
Risk Pool's Net Employer Normal Cost	\$ 1,010,606	\$ 1,028,790
Risk Pool's Payment on Amortization Bases	295,097	322,932
Surcharge for Class 1 Benefits		
a) FAC 1	61,324	58,236
Phase out of Normal Cost Difference	0	0
Amortization of Side Fund	604,818	622,358
Total Employer Contribution	\$ 1,971,845	\$ 2,032,316
Employee Cost Sharing	N/A	0
Net Employer Contribution	N/A	2,032,316
Annual Lump Sum Prepayment Option*	\$ 1,899,609	\$ 1,960,140
Projected Payroll for the Contribution Fiscal Year	\$ 6,509,962	\$ 6,506,798
Employer Contribution Required (Percentage of Payroll)		
Risk Pool's Net Employer Normal Cost	15.524%	15.811%
Risk Pool's Payment on Amortization Bases	4.533%	4.963%
Surcharge for Class 1 Benefits		
a) FAC 1	0.942%	0.895%
Phase out of Normal Cost Difference	0.000%	0.000%
Amortization of Side Fund	9.291%	9.565%
Total Employer Contribution	30.290%	31.234%
Employee Cost Sharing	N/A	(0.000%)
Net Employer Contribution	N/A	31.234%

Appendix C of Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

Risk pooling was implemented as of June 30, 2003. The normal cost difference is scheduled to be phased out over a five year period. The phase out of normal cost difference is 100% for the first year of pooling, and is incrementally reduced by 20% of the original normal cost difference for each subsequent year.

*Payment must be received by CalPERS before the first payroll reported to CalPERS of the new fiscal year and after June 30.

SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY PLAN OF THE CITY OF PORTERVILLE

Plan's Funded Status

	June 30, 2010	June 30, 2011
1. Present Value of Projected Benefits (PVB)	N/A	\$ 59,701,395
2. Entry Age Normal Accrued Liability	N/A	44,878,288
3. Plan's Actuarial Value of Assets (AVA)	N/A	\$ 36,367,039
4. Unfunded Liability (AVA Basis) [(2) - (3)]	N/A	\$ 8,511,249
5. Funded Ratio (AVA Basis) [(3) / (2)]	N/A	81.0%
6. Plan's Market Value of Assets (MVA)	N/A	\$ 32,567,910
7. Unfunded Liability (MVA Basis) [(2) - (6)]	N/A	12,310,378
8. Funded Ratio (MVA Basis) [(6) / (2)]	N/A	72.6%

Superfunded Status

	June 30, 2010	June 30, 2011
Is the plan Superfunded?	No	No
[Yes if AVA exceeds PVB, No otherwise]		

Projected Contributions

The rate shown below is an estimate for the employer contribution for Fiscal Year 2014/2015. The estimated rate is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal year 2011/2012, namely 0%:

Projected Employer Contribution Rate: 32.8%

The estimate also assumes that there are no liability gains or losses among the plans in your risk pool, that your plan has no new amendments in the next year, and that your plan's and your risk pool's payrolls both increase exactly 3.0% in the 2011/2012 fiscal year. Therefore, the projected employer contribution rate for 2014/2015 is just an estimate. Your actual rate for 2014/2015 will be provided in next year's report.

Rate Volatility

Your plan's employer contribution rate will inevitably fluctuate, for many reasons. However, the biggest fluctuations are generally due to changes in the side fund rate resulting from unexpected changes in payroll. The following figure shows how much your 2014/2015 side fund rate would change for each 1% deviation between our 3.0% payroll growth assumption and your actual 2011/2012 payroll growth.

POTENTIAL 2014/2015 RATE IMPACT FROM 2011/2012 PAYROLL DEVIATION

% Rate Change per 1% Deviation from Assumed 3.0% Payroll Growth: (0.092%)

Examples: To see how your employer contribution rate might be affected by unexpected payroll change, suppose the following:

- The % Rate Change per 1% Deviation figure given above is -0.400%
- Your plan's payroll increased 10% in 2011/2012 (7.0% more than our 3.0% assumption).

Then your 2014/2015 rate would decrease $-0.400\% \times (10 - 3.0) = -2.80\%$ from that cause alone.

Or conversely, using the same % Rate Change per 1% Deviation figure given above, suppose your plan's payroll remained the same in 2011/2012 (3.0% less than our 3.0% assumption).

Then your 2014/2015 rate would increase $-0.400\% \times (0 - 3.0) = 1.2\%$ from that cause alone.

Note that if your plan had a negative side fund, an unexpected payroll increase would spread the payback of the negative side fund over a bigger payroll, which would decrease your plan's side fund percentage rate and the total employer contribution rate. On the other hand, if your plan had a positive side fund, an unexpected payroll increase would spread the payback of the positive side fund over a larger payroll, which would increase your plan's side fund percentage rate and the total employer contribution rate. In either case, the amortization of Side Fund dollar amount would not change.

SUMMARY OF FINANCIAL AND DEMOGRAPHIC INFORMATION

Plan's Side Fund

At the time your plan joined the Risk Pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of your plan, in addition to your existing unfunded liability. The side fund for your plan as of the June 30, 2011 valuation is shown in the following table.

Your side fund will be credited, on an annual basis, with the actuarial investment return assumption. This assumption is 7.75% prior to July 1, 2012 and 7.5% after June 30, 2012. A positive side fund will cause your required employer contribution rate to be reduced by the Amortization of Side Fund shown above in Required Employer Contributions. A negative side fund will cause your required employer contribution rate to be increased by the Amortization of Side Fund. In the absence of subsequent contract amendments or funding changes, the side fund will disappear at the end of the amortization period shown below.

Plan's Side Fund Reconciliation

	June 30, 2010.	June 30, 2011
Side Fund as of valuation date*	\$ (4,544,839)	\$ (4,308,149)
Adjustments	0	0
Side Fund Payment	567,341	585,780
Side Fund one year later	\$ (4,308,149)	\$ (4,033,975)
Adjustments	0	0
Side Fund Payment	585,780	604,818
Side Fund two years later	\$ (4,033,975)	\$ (3,709,434)
Amortization Period	8	7
Side Fund Payment during last year	\$ 604,818	\$ 622,358

* If your agency employed superfunded vouchers in fiscal year 2010/2011 to pay employee contributions, the June 30, 2011 Side Fund amount has been adjusted by a like amount without any further adjustment to the Side Fund's amortization period. Similarly, the Side Fund has been adjusted for the increase in liability from any recently adopted Class 1 or Class 2 contract amendments. Also, the Side Fund may be adjusted or eliminated due to recent lump sum payments. Contract amendments and lump sum payments may result in an adjustment to the Side Fund amortization period.

SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY PLAN OF THE CITY OF PORTERVILLE

Development of the Actuarial Value of Assets

		June 30, 2011
1. Plan's Accrued Liability	\$	44,878,288
2. Plan's Side Fund		(4,308,149)
3. Pool's Accrued Liability		2,061,923,933
4. Pool's Side Fund		(99,308,581)
5. Pool's Actuarial Value of Assets Including Receivables		1,759,286,797
6. Plan's Actuarial Value of Assets (AVA) Including Receivables $[(1 + 2) / (3 + 4) \times 5]$	\$	36,367,039
7. Pool's Market Value of Assets (MVA) Including Receivables		1,575,500,641
8. Plan's Market Value of Assets (MVA) Including Receivables $[(1 + 2) / (3 + 4) \times 7]$	\$	32,567,910

Funding History

The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market value of assets, funded ratios and the annual covered payroll. The actuarial value of assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan.

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	Funded Ratio AVA	Funded Ratio MVA	Annual Covered Payroll
06/30/11	\$ 44,878,288	\$ 36,367,039	\$ 32,567,910	81.0%	72.6%	\$ 5,954,642

Plan's Total Normal Cost Rate

The Public Employees' Pension Reform Act of 2013 requires that new employees pay at least 50% of the total annual normal cost and that current employees approach the same goal through collective bargaining. Please refer to the CalPERS website for more details.

Shown below is the total annual normal cost rate for your plan. Note that this rate is for current members only.

	Fiscal Year 2012/2013	Fiscal Year 2013/2014
Pool's Net Total Normal Cost Rate	N/A	24.790%
Surcharge for Class 1 Benefits		
a) FAC 1	N/A	0.895%
Plan's Total Normal Cost Rate	N/A	25.685%

SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY PLAN OF THE CITY OF PORTERVILLE

Hypothetical Termination Liability

In August 2011, the CalPERS Board adopted an investment policy and asset allocation strategy that more closely reflects expected benefit payments of the Terminated Agency Pool. With this change, CalPERS increased benefit security for members while limiting its funding risk.

The table below shows the hypothetical termination liability, the market value of assets, the unfunded termination liability and the termination funded ratio. The assumptions used, including the discount rate, are stated in Appendix A and take into account the yields available in the US Treasury market on the valuation date and the mortality load for contingencies. The discount rate is duration weighted and is not necessarily the rate that would be used for this plan if it were to terminate. The discount rate for this plan's termination liability would depend on the duration of the liabilities of this plan. For purposes of this estimate, the discount rate of 4.82% is based on the June 30, 2011 30-year US Treasury Stripped Coupon Rate. Please note, as of June 30, 2012 the 30-year US Treasury Stripped Coupon Rate was 2.87%.

Valuation Date	Hypothetical Termination Liability	Market Value of Assets (MVA)	Unfunded Termination Liability	Termination Funded Ratio	Discount Rate
06/30/11	\$ 62,850,963	\$ 32,567,910	\$ 30,283,053	51.8%	4.82%

Summary of Participant Data

The table below shows a summary of your plan's member data upon which this valuation is based:

	June 30, 2010	June 30, 2011
Projected Payroll for Contribution Purposes	\$ 6,509,962	\$ 6,506,798
Number of Members		
Active	96	95
Transferred	50	47
Separated	27	32
Retired	67	71

List of Class 1 Benefit Provisions

- One Year Final Compensation

Information for Compliance with GASB Statement No. 27 for Cost-Sharing Multiple-Employer Defined Benefit Plan

Your plan is part of the Safety 3.0% at 55 Risk Pool, a cost-sharing multiple-employer defined benefit plan. Under GASB 27, an employer should recognize annual pension expenditures/expense equal to its contractually required contributions to the plan. Pension liabilities and assets result from the difference between contributions required and contributions made. The contractually required contribution for the period July 1, 2013 to June 30, 2014 has been determined by an actuarial valuation of the plan as of June 30, 2011. Your unadjusted contribution rate for the indicated period is 31.234% of payroll. In order to calculate the dollar value of the contractually required contributions for inclusion in financial statements prepared as of June 30, 2014, this contribution rate, less any employee cost sharing, and as modified by any subsequent financing changes or contract amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2013 to June 30, 2014. However, if this contribution is fully prepaid in a lump sum, then the dollar value of contractually required contributions is equal to the lump sum prepayment. The employer and the employer's auditor are responsible for determining the contractually required contributions. Further, the required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years is to be disclosed under GASB 27.

A summary of principal assumptions and methods used to determine the contractually required contributions is shown below for the cost-sharing multiple-employer defined benefit plan.

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	20 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Complete Information on assumptions and methods is provided in Appendix A of Section 2 of the report. Appendix B of Section 2 of the report contains a description of benefits included in the Risk Pool Actuarial Valuation.

A Schedule of Funding for the Risk Pool's actuarial value of assets, accrued liability, their relationship, and the relationship of the unfunded liability (UL) to payroll for the risk pool(s) to which your plan belongs can be found in Section 2 of the report.

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Summary of Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in Appendix B within Section 2 of this report.

Benefit Provision	Coverage Group	
	74001	75001
Benefit Formula	3.0% @ 55	3.0% @ 55
Social Security Coverage Full/Modified	no full	no full
Final Average Compensation Period	12 mos.	12 mos.
Sick Leave Credit	yes	yes
Non-Industrial Disability	standard	standard
Industrial Disability	yes	yes
Pre-Retirement Death Benefits	yes	yes
Optional Settlement 2W	level 4	level 4
1959 Survivor Benefit Level	yes	yes
Special	no	no
Alternate (firefighters)		
Post-Retirement Death Benefits		
Lump Sum	\$500	\$500
Survivor Allowance (PRSA)	no	no
COLA	2%	2%
Employee Contributions		
Contractual employer paid	no	no

*Inactive Coverage Group