

# Agenda Report

July 23, 2001

**FROM:** City Manager

**TO:** City Council

**SUBJECT:** RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA APPROVING A SUBSTITUTE LETTER OF CREDIT PROVIDER, APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF A LETTER OF CREDIT REIMBURSEMENT AGREEMENT ENTERED INTO IN CONNECTION WITH THE CITY'S 1991 VARIABLE RATE DEMAND CERTIFICATES OF PARTICIPATION (ROSE BOWL IMPROVEMENTS PROJECT) AND 1996 VARIABLE RATE DEMAND CERTIFICATES OF PARTICIPATION (ROSE BOWL IMPROVEMENTS PROJECT) AND LOS ROBLES AVENUE PARKING FACILITY AND AUTHORIZING CERTAIN OTHER ACTIONS RELATING THERETO

## **RECOMMENDATION**

It is recommended that the City Council approve the following resolutions:

1. approving a substitute Letter of Credit Provider and authorizing the execution and delivery of a Letter of Credit Reimbursement Agreement entered into in connection with the City's 1991 Variable Rate Demand Certificates of Participation (Rose Bowl Improvements Project) and 1996 Variable Rate Demand Certificates of Participation (Rose Bowl Improvements Project) and authorizing certain other actions relating thereto and
2. approving a substitute Letter of Credit Provider and authorizing the execution and delivery of a Letter of Credit Reimbursement Agreement in connection with the City's 1987 Certificates of Participation (Adjustable Convertible Extendable Securities — ACES<sup>SM</sup>) (Los Robles Avenue Parking Facility) and authorizing certain other actions relating thereto

## **BACKGROUND**

In 1996, the City Council approved a letter of credit reimbursement agreement with Canadian Imperial Bank of Commerce (CIBC) to provide a Letter of Credit for both the 1991 and 1996 Rose Bowl COPs. In 1997, the City entered into a similar agreement with CIBC for the 1987 COPs for the Los Robles Parking Garage. CIBC has notified the City of its intent to no longer be a letter of credit (LOC) provider and that it will not extend any existing LOCs once any current agreement expires.

## DISCUSSION

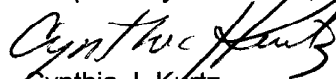
All three COPs have been issued in a variable rate mode. Under the covenants of the bond documents, the City must maintain in place an LOC to ensure that the bond holder get repaid all principal and interest earned should a bondholder choose not to continue to hold the bonds and should the remarketing agent not be able to remarket the bonds. Under this unlikely circumstance, the LOC provider guarantees that it will provide the cash necessary to cover the payment(s) until the bonds can be once again remarketed.

Through a competitive selection process, staff is recommending the appointment of The Bank of New York (BNY), in partnership with the California State Teachers Retirement System (CALSTRs) as the City's new LOC provider. This agreement will be for a three-year period with options to renew indefinitely so long as the credit quality of the LOC provider remains at least in the AA category. With the joint partnership of BNY and CALSTRs, the LOC provider is currently rated AAA.

## FISCAL IMPACT

The cost of the LOC fees will be 47 basis points per year based upon the face value of the outstanding bonds. This cost will be borne by the RBOC for its two bond issues and the Plaza Las Fuentes Parking Facility for its bond issue. These cost are approximately 10 to 15 basis points higher than currently being paid. Funds are available in each respective fund.

Respectfully Submitted,



Cynthia J. Kurtz  
City Manager

Approved:



Jay M. Goldstone  
Director of Finance