

Agenda Report

TO: City Council May 15, 2006

THROUGH: Finance Committee

FROM: Cynthia J. Kurtz, City Manager

SUBJECT: APPROVAL OF A RESOLUTION MAKING FINDINGS WITH RESPECT TO AND APPROVING THE ISSUANCE OF BONDS BY THE PASADENA PUBLIC FINANCING AUTHORITY AND THE PASADENA COMMUNITY DEVELOPMENT COMMISSION.

RECOMMENDATION

It is recommended that the City Council approve a resolution making findings with respect to and approving the issuance of bonds by the Pasadena Public Financing Authority and the Pasadena Community Development Commission.

BACKGROUND

The Pasadena Community Development Commission (PCDC) has four outstanding Tax Allocation Bonds (TABs) with high interest rates. The first issue is the 1993 Fair Oaks TABs with a current outstanding balance of \$2,580,000 at an interest rate of 6.125%. The second issue is the 1993 Lake Washington TABs with an outstanding balance of \$865,000 at 6.50% interest rate. The third issue is the 1993 Villa-Parke TABs with an outstanding balance of \$810,000 at an interest rate of 6.125%. The last issue is the Commission's 1996 Housing Set Aside bonds with an outstanding balance of \$2,160,000 at an interest rate of 6.0%. The annual debt service on the 1993 Fair Oaks TABs is \$258,025, the annual debt service in Lake Washington is \$106,225, the annual debt service in Villa Parke is \$134,512 and the debt service on the Housing bonds is \$318,270 for a total of \$817,032.

DISCUSSION

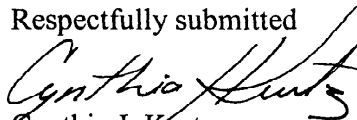
Due to the still current existing favorable market rates, staff is recommending refunding the four outstanding Tax Allocation Bonds. The refunding will be facilitated through the Pasadena Public Financing Authority (PPFA), a joint Powers Authority between the City of Pasadena and the Pasadena Community Development Commission. This way one bond offering will be made for the entire amount resulting in lower cost of issuance for PCDC. PPFA will then sell the proceeds to PCDC in order to retire the current outstanding bonds. PCDC will make semi-annual debt service payments to PPFA and PPFA will make payments to the bond holders.

This transaction solely refunds the existing debt and does not either extend the maturity of the existing bonds nor generate any new bond proceeds for additional projects. Given today's interest rate environment, it is estimated that the new rates for these bonds will be 3.25% to 5.0% and will save the Commission an estimated total of \$1,276,721 over the term of the bonds or an annual average savings of \$70,763.

FISCAL IMPACT

The proposed refunding will result in lower interest rates and a total projected interest savings of \$1,276,721 to the Commission over the term of the bonds. The total average annual savings will be \$70,763 with a net present value savings of 5.32%. The average annual savings in Fair Oaks from the refunding will be \$23,444 with a net present value savings of 7.33%. The annual savings in Villa-Parke will be 14,855 with a net present value savings of 5.60%. Lake Washington project area will realize annual savings of \$9,758 and a net present value savings of 7.22% and the Housing Trust Fund will realize an annual savings of \$22,706 and a net present value savings of 2.05%.

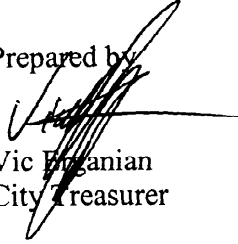
Respectfully submitted



Cynthia J. Kurtz

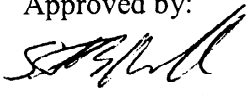
Chief Executive Officer

Prepared by



Vic Erganian
City Treasurer

Approved by:



Steve Mermell
Acting Director of Finance

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA
MAKING FINDINGS WITH RESPECT TO AND APPROVING THE
ISSUANCE OF BONDS BY THE PASADENA PUBLIC FINANCING
AUTHORITY AND THE PASADENA COMMUNITY DEVELOPMENT
COMMISSION

WHEREAS, the City of Pasadena (the “**City**”) and the Pasadena Community Development Commission (the “**Commission**”) have heretofore entered into a Joint Exercise of Powers Agreement establishing the Pasadena Public Financing Authority (the “**Authority**”) for the purpose, among others, of issuing its bonds to obtain funds to purchase bonds of the Commission; and

WHEREAS, the Commission has determined that due to prevailing financial market conditions it is in the best interests of the Commission to realize interest rate savings by refunding at this time its Pasadena Community Development Commission 1996 Tax Allocation Bonds (Housing Set-Aside Revenues-Townhouse Project) (the “**1996 Housing Set-Aside Bonds**”), Pasadena Community Development Commission 1993 Tax Allocation Bonds (Fair Oaks Refunding and Public Improvement Program) (the “**1993 Fair Oaks Bonds**”), Pasadena Community Development Commission Villa-Parke Redevelopment Project Tax Allocation Bonds, Series 1993 (the “**1993 Villa-Parke Bonds**”) and Pasadena Community Development Commission 1993 Tax Allocation Bonds (Lake/Washington Refunding and Public Improvement Program) (the “**1993 Lake/Washington Bonds**” and together with 1996 Housing Set-Aside Bonds, the 1993 Fair Oaks Bonds and the 1993 Villa-Parke Bonds, the “**Prior Bonds**”); and

WHEREAS, the Commission has requested that the Authority assist in the refinancing of the Prior Bonds and financing of certain costs related to the repayment by the Commission of the City Advances, so that a single issue of bonds may be sold to the public the proceeds of which could be used to effect both a refinancing of all of the Prior Bonds; and

WHEREAS, for the purpose of raising funds necessary to provide such financial assistance to the Commission, the Authority proposes to authorize the issuance of its revenue bonds under the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “**Code**”), designated as the Pasadena Public Financing Authority 2006 Tax Allocation Refunding Revenue Bonds (Housing Set-Aside Revenues-Townhouse Project Refunding) (the “**2006 Authority Housing Bonds**”) and Pasadena Public Financing Authority 2006 Tax Allocation Refunding Revenue Bonds (Fair Oaks Redevelopment Project and Public Improvement Program Refunding, Villa-Parke Redevelopment Project Refunding and Lake/Washington Redevelopment Project and Public Improvement Program Refunding) (the “**2006 Authority Revenue Bonds**” and together with the 2006 Authority Housing Bonds, the “**2006 Authority Bonds**”), respectively; and

WHEREAS, a portion of the proceeds of the 2006 Authority Housing Bonds will be used to purchase the Pasadena Community Development Commission 2006 Tax Allocation Refunding Bonds (Housing Set-Aside Revenues-Townhouse Project Refunding) (the “**2006 Housing Set-Aside Bonds**”) to be issued by the Commission; and

WHEREAS, a portion of the proceeds of the 2006 Authority Revenue Bonds will be used to purchase the Pasadena Community Development Commission 2006 Tax Allocation Refunding Bonds (Fair Oaks Redevelopment Project and Public Improvement Program Refunding) (the “**2006 Fair Oaks Refunding Bonds**”), the Pasadena Community Development Commission 2006 Tax Allocation Refunding Bonds (Villa-Parke Redevelopment Project Refunding) (the “**2006 Villa-Parke Refunding Bonds**”) and the Pasadena Community Development Commission 2006 Tax Allocation Refunding Bonds (Lake/Washington Redevelopment Project and Public Improvement Program Refunding) (the “**2006 Lake/Washington Refunding Bonds**” and together with the 2006 Housing Set-Aside Bonds, the 2006 Fair Oaks Refunding Bonds and the 2006 Villa-Parke Refunding Bonds, the “**Commission Bonds**”) each to be issued by the Commission; and

WHEREAS, for the purpose of determining significant public benefits the City Council has on this date held a duly noticed public hearing on the financing and refinancing of the improvements (the “**Improvements**”) originally financed and refinanced, as applicable, with the proceeds of the Prior Bonds and now being financed and refinanced with the proceeds of the 2006 Authority Bonds and Commission Bonds, as required by Section 6586.5(a) of the Code; and

WHEREAS, the City Council now desires to make a finding of significant public benefit, pursuant to Section 6586.5(a)(2) of the Code, and to approve of the refinancing of the Improvements and the transactions contemplated by the Bonds and the Commission Bonds.

NOW, THEREFORE, BE IT RESOLVED, ORDERED AND FOUND, by the City Council of the City of Pasadena that: (a) the City hereby finds that significant public benefits will arise from the financing and refinancing of the Improvements with the proceeds of the 2006 Authority Bonds and the Commission Bonds, in accordance with Section 6586 of the Code, in that the financing will result in demonstrable savings in effective interest rates, bond preparation, bond underwriting and bond issuance costs as only two series of the 2006 Authority Bonds will be sold to the public (as opposed to multiple series of bonds that would otherwise need to be issued by the Commission) to consummate the financing and refinancing of the Improvements; (b) the City hereby approves the financing and refinancing of the Improvements with the proceeds of the 2006 Authority Bonds and the Commission Bonds; (c) the issuance of the 2006 Authority Bonds by the Authority, the issuance of the Commission Bonds by the Commission, the application of a portion of the proceeds of the Commission Bonds to refund the Prior Bonds, and the purchase by the Authority of the Commission Bonds with the proceeds of the 2006 Authority Bonds, be and are hereby approved; and (d) this Resolution shall take effect from and after the date of its passage and adoption.

PASSED by the City Council of the City of Pasadena at a regular meeting this ___ day of May, 2006, by the following vote:

AYES:

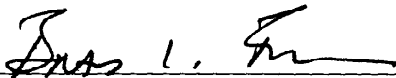
NOES:

ABSENT:

ATTEST:

Jane L. Rodriguez,
City Clerk

APPROVED AS TO FORM:



Michele Beal Bagneris,
City Attorney