

# Agenda Report

**TO:** Pasadena Public Financing Authority May 15, 2006

**THROUGH:** Finance Committee

**FROM:** Cynthia J. Kurtz, Executive Director

**SUBJECT:** APPROVAL OF A RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO PURCHASE BONDS OF THE PASADENA COMMUNITY DEVELOPMENT COMMISSION IN CONNECTION WITH THE COMMISSION'S HOUSING SET ASIDE BONDS AND FAIR OAKS, VILLA-PARKE AND LAKE WASHINGTON TAX ALLOCATION BONDS, AND APPROVING RELATED DOCUMENTS AND ACTIONS.

## **RECOMMENDATION**

It is recommended that the Pasadena Public Financing Authority approve a resolution authorizing the issuance of revenue bonds to purchase bonds of the Pasadena Community Development Commission in connection with the Commission's Fair Oaks, Villa Parke, and Lake Washington Redevelopment Projects and the Commission's and Housing Set-Aside Bonds and approving related documents and actions.

## **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 and has 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**

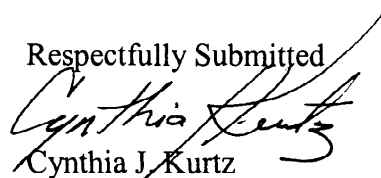
Due to current favorable market rates, staff is recommending refunding the four outstanding Tax Allocation Bonds. The refunding will be facilitated through the Pasadena Public Financing Authority (PPFA), a joint Powers Authority between the City of Pasadena and the Pasadena Community Development Commission. 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**

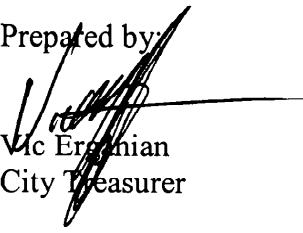
The proposed refunding will result in lower interest rates and a total projected interest savings of \$1,276,721 to the Commission over the term of the bonds. The total average annual savings will be \$70,763. The average annual savings in Fair Oaks from the refunding will be \$23,444 with a net present 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



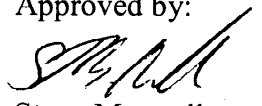
Cynthia J. Kurtz  
Executive Director

Prepared by:



Vic Ergonjian  
City Treasurer

Approved by:



Steve Mermell  
Acting Director of Finance

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE PASADENA PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO PURCHASE BONDS OF THE PASADENA COMMUNITY DEVELOPMENT COMMISSION IN CONNECTION WITH THE HOUSING SET-ASIDE REVENUES-TOWNHOUSE PROJECT REFUNDING, FAIR OAKS REDEVELOPMENT PROJECT AND PUBLIC IMPROVEMENT PROGRAM REFUNDING, VILLA-PARKE REDEVELOPMENT PROJECT REFUNDING AND LAKE/WASHINGTON REDEVELOPMENT PROJECT AND PUBLIC IMPROVEMENT PROGRAM REFUNDING, AND APPROVING RELATED DOCUMENTS AND ACTIONS

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 the Authority’s 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, so that a single issue of bonds may be sold to the public the proceeds of which could be used to effect 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, the City Council of the City has held a duly noticed public hearing with respect to the refinancing of the improvements originally financed or refinanced, as applicable, with the proceeds of the Prior Bonds (the “**Improvements**”), and has made a finding of significant public benefits in connection with the issuance of the 2006 Authority Bonds and the use of the proceeds thereof to purchase the Commission Bonds and thereby effect a refinancing of the Improvements; and

WHEREAS, the firm of Wulff, Hansen & Co. (the “**Underwriter**”) has proposed to purchase and underwrite the 2006 Authority Bonds and there has been presented to the Authority a form of the 2006 Authority Housing Indenture (as defined herein), a form of the 2006 Authority Revenue Indenture (as defined herein), a form of Purchase Contract for the 2006 Authority Bonds, to be entered into among the Authority, the Commission and the Underwriter (the “**Purchase Agreement**”), a preliminary form of the Official Statement (the “**Preliminary Official Statement**”) describing the 2006 Authority Bonds and the Commission Bonds, to be used in connection with the marketing thereof by the Underwriter and a form of Tax Allocation Bonds Purchase Contract for the Commission Bonds, to be entered into between the Authority and the Commission (the “**Commission Bonds Purchase Agreement**”); and

WHEREAS, the Board of the Authority (the “**Board**”) has duly considered the transactions described above and wishes at this time to approve said transactions in the public interests of the Authority.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE PASADENA PUBLIC FINANCING AUTHORITY AS FOLLOWS:

Section 1. Findings and Determinations. Pursuant to the Code, the Board hereby finds and determines that the issuance of the 2006 Authority Bonds and the Commission Bonds will result in savings in effective interest rates, bond underwriting costs and bond issuance costs and thereby result in significant public benefits to its members within the contemplation of Section 6586 of the Code.

Section 2. Issuance of 2006 Authority Housing Bonds; Approval of Indenture. The Board hereby authorizes the issuance of the 2006 Authority Housing Bonds in a maximum aggregate principal amount of \$2,100,000. The 2006 Authority Housing Bonds shall be issued pursuant to an Indenture of Trust, by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the “**2006 Trustee**”) relating to the 2006 Authority Housing Bonds (the “**2006 Authority Housing Indenture**”). The Board hereby approves the 2006 Authority Housing Indenture in the form on file with the Secretary of the Authority. The Chairperson of the Authority, the Executive Director of the Authority and the Treasurer of the Authority (each, a “**Designated Officer**” and together, the “**Designated Officers**”), each acting alone, are hereby authorized and directed to execute the 2006 Authority Housing Indenture for and in the name and on behalf of the Authority in such form, together with such additions thereto and changes therein as any such Designated Officer shall deem necessary, desirable or appropriate, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. The Board hereby authorizes the delivery and performance of the 2006 Authority Housing Indenture.

Section 3. Issuance of 2006 Authority Revenue Bonds; Approval of Indenture. The Board hereby authorizes the issuance of the 2006 Authority Revenue Bonds in a maximum aggregate principal amount of \$4,200,000. The 2006 Authority Revenue Bonds shall be issued pursuant to an Indenture of Trust, by and between the Authority and the 2006 Trustee relating to the 2006 Authority Revenue Bonds (the “**2006 Authority Revenue Indenture**”). The Board hereby approves the 2006 Authority Revenue Indenture in the form on file with the Secretary of the Authority. The Designated Officers, each acting alone, are hereby authorized and directed to execute the 2006 Authority Revenue Indenture for and in the name and on behalf of the Authority in such form, together with such additions thereto and changes therein as any such Designated Officer shall deem necessary, desirable or appropriate, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. The Board hereby authorizes the delivery and performance of the 2006 Authority Revenue Indenture.

Section 4. Approval of Purchase of the Commission Bonds. The Board hereby authorizes and approves the purchase by the Authority of the Commission Bonds pursuant to and in accordance with the provisions of the Commission Bonds Purchase Agreement. The Board hereby approves the Commission Bonds Purchase Agreement in the form on file with the Secretary of the Authority. The Designated Officers, each acting alone, are hereby authorized and directed to execute the Commission Bonds Purchase Agreement for and in the name and on behalf of the Authority in such form, together with such additions thereto and changes therein as any such Designated Officer shall deem necessary, desirable or appropriate, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. The Authority hereby authorizes the delivery and performance of the Commission Bonds Purchase Agreement.

Section 5. Sale of Bonds. The Board hereby approves the sale of the 2006 Authority Bonds by the Authority by negotiation with the Underwriter pursuant to the Purchase Agreement in the form on file with the Secretary of the Authority. The Designated Officers, each acting alone, are hereby authorized and directed to execute the Purchase Agreement for and in the name and on behalf of the Authority in such form, together with such additions thereto and changes

therein as any such Designated Officer shall deem necessary, desirable or appropriate, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes, following the submission of an offer by the Underwriter to purchase the 2006 Authority Bonds, which offer is acceptable to such Designated Officer and consistent with the requirements of this Resolution. The amount of Underwriter's discount for the 2006 Authority Bonds shall be not more than one and one-half percent (1.5%) of the par amount thereof (not taking into account any original issue discount on the sale thereof) and the average interest rate on the 2006 Authority Bonds shall not exceed five and one-half percent (5.5%) per annum.

Section 6. Official Statement. The Board hereby approves the preparation of, and hereby authorizes the Designated Officers, each acting alone, to deem final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934 except for permitted omissions, the Preliminary Official Statement describing the 2006 Authority Bonds and the Commission Bonds. Distribution of the Preliminary Official Statement and a final official statement by the Underwriter is hereby approved. The Designated Officers, each acting alone, are hereby authorized to execute the final official statement and the signature of such Designated Officer shall be conclusive evidence of the approval of any additions and changes.

Section 7. Designation of Bond Counsel and Disclosure Counsel. The law firm of QUATEMAN LLP is hereby designated as bond counsel to the Authority and as disclosure counsel for the Authority, with respect to the 2006 Authority Bonds and the Commission Bonds. The Board hereby approves Quateman LLP's joint representation of the Commission and the Authority with respect to the 2006 Authority Bonds, Commission Bonds and all matters related thereto. The Designated Officers are hereby authorized and directed to execute agreements with said firm for its services in connection with the 2006 Authority Bonds and the Commission Bonds in the form on file with the City, provided that payment of the fees and expenses of such firm shall be contingent upon the issuance of, and payable solely from the proceeds of, the 2006 Authority Bonds and the Commission Bonds.

Section 8. Official Actions. The Chairperson of the Authority, the Executive Director of the Authority, the Treasurer of the Authority, the Secretary of the Authority and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, 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, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the 2006 Authority Bonds and the Commission Bonds, the purchase by the Authority of the Commission Bonds and the consummation of the transactions on the part of the Authority as described in the documents approved by this Resolution.

Section 9. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

ADOPTED at the regular meeting of the Authority this \_\_\_\_ day of May, 2006 by the following vote:

AYES:

NOES:

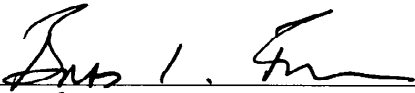
ABSENT:

ATTEST:

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Jane L. Rodriguez,  
Secretary

APPROVED AS TO FORM:

  
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For Michele Beal Bagneris,  
Authority Counsel