Agenda Report

TO: PASADENA PUBLIC FINANCING AUTHORITY January 26, 2009

THROUGH: FINANCE COMMITTEE

FROM: EXECUTIVE DIRECTOR

SUBJECT: ADOPTION OF A RESOLUTION OF THE PASADENA PUBLIC FINANCING AUTHORITY APPROVING THE SUBSTITUTION OF THE CREDIT FACILITY OF ITS VARIABLE RATE DEMAND LEASE REVENUE BONDS (ROSE BOWL REFINANCING AND IMPROVEMENT PROJECTS), SERIES 2006 AND APPROVING THE EXECUTION AND DELIVERY OF THE REIMBURSEMENT AGREEMENT, AMENDMENT NO.1 TO SUBLEASE AND OTHER RELATED DOCUMENTS AND APPROVAL OF OTHER ACTIONS IN CONNECTION THEREWITH.

RECOMMENDATION:

It is recommended that the Pasadena Public Financing Authority adopt a Resolution approving the substitution of the credit facility for its Variable Rate Demand Lease Revenue Bonds (Rose Bowl Refinancing and Improvement projects), series 2006 and approving the execution and delivery of the Reimbursement Agreement, Amendment No.1 to Sublease and other related documents and approval of other actions in connection therewith.

BACKGROUND:

In February 2006 the Pasadena Public Financing Authority issued $47,300,000 Variable Rate Demand Lease Revenue Bonds (Rose Bowl Refinancing and Improvement Projects), in order to refinance the then outstanding 1991 and 1996 Rose Bowl Certificates of Participation ("COPs") and provide additional proceeds to complete the improvements to the Rose Bowl stadium and related facilities, which improvements consisted primarily of new locker room facilities and press room facilities as well as finance a portion of the City Hall seismic retrofitting project.

The 2006 Lease Revenue Bonds were issued as variable rate demand bonds ("VRDBs"). The interest rate on the bonds is re-set every seven days and investors can sell back, or "put", their bonds at each re-set date. The market relies on investment banks in the role of remarketing agent to re-set the rate and find new buyers for the bonds that are put. Commercial banks on the other hand have the role of liquidity providers and guarantee the repurchase of any bonds that are put and cannot be sold. This guarantee usually in the form of a bank letter of credit or a standby purchase agreement, is one of the two requirements imposed by the Securities and Exchange Commission ("SEC") for money market funds to hold VRDBs. An additional requirement is for the bonds to have ratings at least in the double-A category from two rating agencies.

Concurrently with the issuance of the bonds, the City has synthetically fixed the rate on the bonds by entering into an interest rate swap agreement with Deutsche Bank AG, New York Branch. The swap agreement has a term equal to the final maturity of the bonds. Pursuant to the swap agreement, the City will pay a fixed rate of 3.285% on the initial notional amount of $47.3 million and receive 65% of London Interchange Bank Offering Rate ("LIBOR rate") on a like notional amount. The City also entered into a remarketing agreement with Merrill Lynch (the remarketing agent) and obtained a letter of credit from Citibank (the liquidity provider) with an initial term of three years expiring on February 16, 2009.

The liquidity crisis that began in late 2007 intensified in 2008 and placed severe pressure on banks and other financial institutions and brutally limited these institutions from providing liquidity to the municipal variable rate market. As a result, Citibank informed the City of Pasadena that it will not be able to renew the liquidity facility due to its capital constraints. After discussions and solicitation of numerous banks, Finance staff was able to negotiate and obtain credit approval from Bank of America for a substitute liquidity in the form of a direct pay letter of credit for the outstanding $43 million Rose Bowl Variable Rate Demand Lease Revenue Bonds. The liquidity facility will be for a term of two years at an annual fee of 0.70% rate on the outstanding bonds and an upfront 0.05% bank fee along with the related legal fees.

FISCAL IMPACT:

The current letter of credit fee is at 0.16% rate. The new annual letter of credit fee will be 0.70% which represents an annual increase of $232,200. The annual increase of the facility fee by 0.55% will raise the total synthetic cost of funds on the bonds from 3.5% to 4.05% for the next two years. In addition, the Rose Bowl Operating Company will incur 80% and the City 20% of the following one time upfront cost to complete the transaction:

Bank fee:	$21,500
Bank Counsel fee:	40,000
Bond Counsel fee:	25,000
Rating agency fees;	15,000 (estimate)
Total	$101,500

Should this action need additional appropriations, staff will return with a budget amendment at the time the quarterly amendment report is presented.

Respectfully submitted,

Michael J. Beck
Executive Director

Prepared by:

Vic Erganian
Acting Deputy Director of Finance

Approved by:

Andrew Green
Director of Finance

RESOLUTION NO. ___

A RESOLUTION OF THE PASADENA PUBLIC FINANCING AUTHORITY APPROVING THE SUBSTITUTION OF THE CREDIT FACILITY FOR ITS VARIABLE RATE DEMAND LEASE REVENUE BONDS (ROSE BOWL REFINANCING AND IMPROVEMENT PROJECTS), SERIES 2006 AND APPROVING THE EXECUTION AND DELIVERY OF THE REIMBURSEMENT AGREEMENT, AMENDMENT NO. 1 TO SUBLEASE AND OTHER RELATED DOCUMENTS AND APPROVAL OF OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Pasadena Public Financing Authority (the "Authority") has heretofore issued its Variable Rate Demand Lease Revenue Bonds (Rose Bowl Refinancing and Improvement Projects), Series 2006 (the "Bonds") pursuant to that certain bond indenture, dated as of February 1, 2006 (the "Indenture"), by and between the Authority and Deutsche Bank National Trust Company, as trustee; and

WHEREAS, pursuant to Section 4.03 of that certain sublease, by and between the Authority and the City of Pasadena, California (the "City"), dated February 1, 2006 (the "Sublease"), the credit facility supporting the Bonds may replaced with a substitute credit facility upon the conditions set forth therein; and

WHEREAS, the Authority proposes to enter into a reimbursement agreement (the "Reimbursement Agreement") with Bank of America, N.A. (the "Bank") and with the City, pursuant to which the Bank will issue a direct-pay letter of credit (the "Letter of Credit") to replace the existing credit facility relating to the Bonds; and

WHEREAS, the City and the Authority desire to enter into an amendment to the Sublease ("Amendment No. 1 to Sublease") to accommodate the terms of the Reimbursement Agreement; and

WHEREAS, the Authority finds and determines that it would be in the best interests of the Authority to authorize certain officers of the Authority to remove and appoint remarketing agents for the Bonds as such officers deem to be necessary and appropriate, based upon market conditions and the performance of the existing remarketing agent; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED, ORDERED AND FOUND, by the Pasadena Public Financing Authority that:

Section 1. Declaration of Authority. The Authority hereby specifically finds and declares that the actions authorized hereby constitute and are with respect to public affairs of the

Authority, and that the statements, findings and determinations of the Authority set forth in the preambles above and in the documents approved herein are true and correct.

Section 2. Approval of Substitute Credit Facility; Approval of the Reimbursement Agreement. The Authority hereby approves of the substitution of the Letter of Credit for the existing credit facility supporting the Bonds. The Executive Director or the Treasurer of the Authority or the duly authorized designee of either of such officers (collectively, the "Authorized Officers") are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Reimbursement Agreement, and any exhibits thereto, in substantially the form presented to this meeting, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. Amendment of the Sublease. The Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver Amendment No. 1 to Sublease, in substantially the form presented to this meeting, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. Authorization of Officers To Remove and Appoint Remarketing Agents. The Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the Authority, and based upon his or her assessment of market conditions and the performance of the existing remarketing agent, and if desired by such Authorized Officer, upon the advice of a financial advisor, to remove or appoint remarketing agents for the Bonds in accordance with the terms set forth in the Indenture. Each Authorized Officer is further authorized and directed to execute and deliver remarketing agreements, to terminate remarketing agreements, or to do any and all things and to execute and deliver any and all documents which such Authorized Officer may deem necessary or advisable in order to consummate the removal or appointment of a remarketing agent for the Bonds.

Section 5. Attestations. Attestations. The Secretary of the Authority is hereby authorized and directed to attest the signature of any Authorized Officer, as may be required or appropriate in connection with the execution and delivery of said Reimbursement Agreement and Amendment No. 1 to Sublease or related documents.

Section 6. Other Actions. The Executive Director, the Treasurer, the Secretary and the other officers of the Authority are hereby authorized and directed jointly and severally to do any and all things and to execute and deliver any and all documents that they may deem necessary or advisable in order to consummate the transactions contemplated and otherwise to carry out, give effect to and comply with the terms and intent of the Reimbursement Agreement and Amendment No. 1 to Sublease, including, without limitation, a supplement to the Official Statement for the Bonds and such further amendments to the Indenture, Lease, Sublease and/or Reimbursement Agreement and any related documents as may be necesary or appropriate to achieve a "joint probability rating" on the Bonds that is higher than any then current credit rating on the Bonds. Such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 7. Effective Date. This Resolution shall take effect from and after its date of passage and adoption.

PASSED by the Pasadena Public Financing Authority at a regular meeting this ___day of January, 2009, by the following vote:

AYES:

NOES:

ABSENT:

ATTEST:

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Mark Jomsky, CMC
Secretary

APPROVED AS TO FORM:

Michele Beal Bagneris

Michele Beal Bagneris
Authority Counsel

APPROVED AS TO FORM:

Sidley Austin LLP

Sidley Austin LLP
Bond Counsel

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