

Agenda Report

December 13, 2010

TO: Honorable Mayor and City Council

FROM: Department of Finance

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA CONFIRMING THE AWARD OF ITS WATER REVENUE BONDS, ISSUE OF 2010, 2010A SERIES (TAXABLE BUILD AMERICA BONDS-DIRECT PAYMENT) AND 2010B SERIES (TAX-EXEMPT).

RECOMMENDATION:

It is recommended that the City Council adopt a resolution confirming the award of its Water Revenue Bonds, 2010A Series, Taxable Build America Bonds, and Water Revenue Refunding Bonds, 2010B Series.

BACKGROUND:

At the City Council meeting on November 8, the City adopted an Ordinance approving the issuance of its Water Revenue Bonds, 2010A Series Build America Bonds to finance certain capital improvements related to the water system, and approved the issuance of its Water Revenue Refunding Bonds, 2010B Series to partially refinance the current outstanding 2003 bonds in the amount of up to \$35,000,000. In light of the recent increase in interest rates and increased volatility in the municipal tax-exempt market, the economics of the proposed refunding have significantly declined and staff has determined not to pursue the refunding at this time. If interest rates decline, the proposed refunding could occur in the future.

While it was initially contemplated that the new money bonds would be issued as Build America Bonds and the refunding bonds would be issued as tax-exempt bonds, the Ordinance provided that all or a portion of the \$30 million of new money bonds authorized could be issued either as Build America Bonds (Series 2010A Bonds) or tax-exempt bonds (Series 2010B Bonds). As a result of the

determination not to pursue the refunding, an overall lower cost of funds for the new money financing is expected to be achieved by issuing a portion of the new money bonds as tax-exempt bonds and a portion as Build America Bonds. The bonds will be sold on a competitive basis on Monday, December 13, 2010. In accordance with Section 1414 of the City charter, once bids have been received, the City Council must, by resolution, officially accept the bids and fix the interest rate or rates on the bonds. Based on this requirement, it is recommended that the City Council adopt the attached resolution.

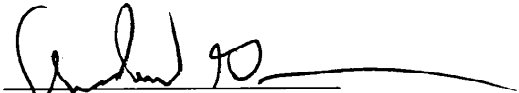
On Monday December 13, 2010, bids will be received for the above referenced bonds. A calculation will be done by the City's financial advisor to determine the lowest cost bid to the City. Since the City has 24 hours to accept (or reject) any bid, the City Council will be asked to take formal action that same evening at its regularly scheduled meeting. The attached resolution refers to Exhibit A which is the result of the bids that will be distributed at the council meeting and become part of the official record.

In addition, Sections 3 and 4 of the resolution require financial information that will not be known until after the bids are received. This information will also be presented at the December 13, 2010 council meeting and will be incorporated into the final official version of the resolution.

FISCAL IMPACT:

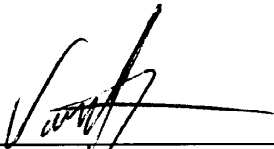
Under the anticipated results of the bids, the All in True Interest Cost is expected to be at a net 4.65 percent for the combined 2010A and B Series. The total annual debt service is estimated to be \$2 million and sufficient funds are available in the unappropriated Water Fund balance to pay debt service on both 2010A and 2010B Series in FY2011 .

Respectfully submitted,



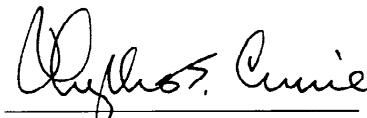
ANDREW GREEN
Director of Finance
Department of Finance

Prepared by:



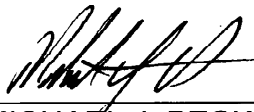
Vic Ergarlan
Deputy Director of Finance/City Treasurer

Concurred by:



PHYLLIS CURRIE
General Manager
Water & Power

Approved by:



MICHAEL J. BECK
City Manager

RESOLUTION NO. ____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA CONFIRMING THE AWARD OF ITS WATER REVENUE BONDS, ISSUE OF 2010, 2010A SERIES (TAXABLE BUILD AMERICA BONDS – DIRECT PAYMENT) AND 2010B SERIES (TAX-EXEMPT)

WHEREAS, at the time and place fixed for the opening of bids for the City of Pasadena, California, Water Revenue Bonds, Issue of 2010, 2010A Series (Taxable Build America Bonds – Direct Payment) and 2010B Series (Tax-Exempt) (collectively, the “2010 Bonds”) , bids for the 2010 Bonds were received by the Director of Finance of the City of Pasadena (the “City”); and

WHEREAS, the Director of Finance has previously accepted the bid of the highest responsible bidder for the 2010 Bonds, a summary of which bids are attached hereto as Exhibit A, and conditionally awarded the 2010 Bonds to the bidder named in the lowest true interest cost bid; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Pasadena:

Section 1. The pricing summary for the 2010 Bonds attached hereto as Exhibit B, specifying the purchase price for the 2010 Bonds and the interest rates per annum for each of the maturities of the 2010 Bonds and designating whether such maturity shall be a Build America Bond or a tax-exempt bond, is based on the highest responsible bid for the 2010 Bonds producing the lowest true interest cost to the City (which true interest cost does not exceed eight percent (8.00%) per annum with respect to the 2010A Bonds, as specified as the maximum true interest cost for 2010 Bonds issued as Build America Bonds in the Ordinance authorizing the issuance of the 2010 Bonds and does not exceed four and three-quarters percent (4.75%) per annum with respect to the 2010B Bonds, as specified as the maximum true interest cost for the 2010 Bonds issued as tax-exempt bonds in the Ordinance authorizing the issuance of the 2010 Bonds). The City hereby waives any irregularity and informality in such bid and confirms the award of the 2010 Bonds to the bidder named in the winning bid in accordance with the terms of the bid.

Section 2. All bids other than the bid accepted by the Director of Finance for the 2010 Bonds are rejected.

Section 3. The interest rates on the 2010 Bonds are hereby fixed at the rates as set forth in the attached Exhibit B. The exact aggregate principal amount of the 2010 Bonds to be issued and sold is \$_____.

Section 4. The Director of Finance, or his designee, is hereby authorized and directed to deliver the 2010 Bonds to the successful bidder upon payment therefor at the net purchase price of \$_____, and to undertake any and all acts necessary or desirable to accomplish the purposes of this Resolution.


Adopted at a regular meeting of the City Council this 13th day of December, 2010, by the following vote:

Ayes:

Noes:

Absent:

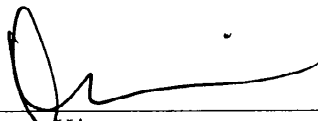
APPROVED AS TO FORM:



Michele Beal Bagneris
City Attorney

Mark Jomsky
City Clerk

APPROVED AS TO FORM:



Danny Kim
Fulbright & Jaworski L.L.P.
Bond Counsel

Exhibit A
Summary of Bids for 2010 Bonds

Exhibit B
Pricing Summary for 2010 Bonds