Agenda Report

January 7, 2013

TO: Pasadena Public Financing

FROM: Treasurer

SUBJECT: A RESOLUTION OF THE BOARD OF THE PASADENA PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF PASADENA PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS (ROSE BOWL RENOVATION PROJECT) SERIES 2013A (TAX-EXEMPT) IN AN AGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $41 MILLION, THE ISSUANCE OF PASADENA PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS (ROSE BOWL RENOVATION PROJECT) SERIES 2013B (TAXABLE) IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $24 MILLION, THE EXECUTION AND DELIVERY OF A BOND INDENTURE, A CONTINUING COVENANT AGREEMENT, A FIRST AMENDMENT TO AMENDED AND RESTATED SUBLEASE, AND A FIRST SUPPLEMENTAL BOND INDENTURE AND CERTAIN OTHER ACTIONS RELATED THERETO.

RECOMMENDATION:

It is recommended that the Pasadena Public Financing Authority adopt a resolution authorizing the issuance of Pasadena Public Financing Authority Lease Revenue Bonds (Rose Bowl Renovation Project) Series 2013A (Tax Exempt), in an aggregate principal amount not to exceed $41 million, the issuance of Pasadena Public Financing Authority Lease Revenue Bonds (Rose Bowl Renovation Project) Series 2013B (Taxable), in an aggregate principal amount of not to exceed $24 million, the execution and delivery of a bond indenture, a continuing covenant agreement, a first amendment to amended and restated sublease, and a first supplemental bond indenture and certain other actions relating thereto.

CITY COUNCIL FINANCE COMMITTEE RECOMMENDATION:

On December 10, 2012, the Finance Committee recommended (three in favor and one opposed) that the City Council approve the proposed Rose Bowl financing plan.

EXECUTIVE SUMMARY:

Staff recommends that an issuance of debt and an internal City loan be approved to address projects costs of approximately $168.8 million, of which $160.5 million is expected to be expended through calendar year 2013. Approximately $2 million of the $168.8 million represents expected funding from Legacy donations that would also be received by the end of calendar year 2013, which would be designated for work after 2013. Project costs above $168.8 million will be funded after additional cash resources are received.

Staff analyzed a number of financing options and is recommending a restructuring of the Rose Bowl portion of the existing 2006 Rose Bowl bonds and a temporary internal City loan of $6 million which would be repaid when the restructured bond proceeds are received. The proposed structure will result in a 2013 bond issue of approximately $58 million, which would consist of restructuring of existing bonds and the issuance of new bonds to net $30 million of proceeds for the project; however, authorization of up to $65 million is being requested to provide flexibility to adjust the bond size and to take advantage of favorable conditions that may materialize prior to the deal being closed.

The structure of the new money portion will include the issuance of taxable bonds (approximately 60 percent) that will have a fixed, five year rate that would reset every five years, and tax-exempt bonds (approximately 40 percent) which would have a variable interest based on one month LIBOR plus .75 percent. These bonds would have a combined maturity of 30 years. The bonds would be a private placement with Union Bank who owns the existing 2006 bonds. The private placement with Union Bank provides the most efficient and effective option since it provides a high degree of future flexibility and limited issuance costs. The estimated annual debt service would be approximately $2.58 million.

Staff also updated the 30 year Rose Bowl Stadium proforma to ensure that this financing option could be afforded by the RBOC. The updated proforma and an updated sources and uses for the project are included as Exhibits A, B, and C.

The proposed structure was presented to the RBOC Finance Committee on November 7, 2012 and November 28, 2012 as an information only item and was presented to the City Council Finance Committee as an information item on November 20, 2012. This report was presented to the Rose Bowl Operating

Company board on December 6, 2012, (This item was approved as a recommendation by the City Council Finance Committee on December 10, 2012 (3-1 vote) for their recommendation to the City Council for action on January 7, 2013.)

BACKGROUND:

On October 23, 2010, the Pasadena City Council approved the $152 million Rose Bowl Renovation Project. Concurrent with this action was the approval of 30-year lease agreements with both the Tournament of Roses and UCLA. On November 23, 2010, the issuance of the bonds was completed for the project through the Pasadena Public Financing Authority resulting in net dedicated proceeds for construction of $126.1 million. The national municipal bond market meltdown at the time resulted in approximately $12.2 million less in net proceeds than was originally anticipated.

Over the course of the last two years, stadium construction has proceeded with nearly 80 percent of the project completed or underway at this time. Unfortunately, the project cost estimate has incrementally risen to approximately $195 million as a result of necessary changes in design, market conditions, unanticipated existing conditions and a contractor default.

Description	**Date**	**Estimated Project Cost**
Original Budget	Nov. 2010	$151.8 M
Updated Project Costs reflecting steel and foundation bids	April 2011	$156.4 M
Updated Project Costs reflecting re-sequencing and RB-12 and bid price	Dec. 2011	$160.0 M
Updated Project Cost reflecting Phase III construction estimate and impact of defaulting contactor	June 2012	$176.9 M
Updated Project Cost reflecting Phase IIIA bids and unanticipated costs for RB-12 construction	Oct. 2012	$195.3 M

The most significant challenge in the project has been adhering to the budget. The current estimated project costs reflects the actual work that has been completed or committed to date plus an updated estimate of remaining project elements yet to be bid. The independent expert, retained to review the project to understand the primary reasons for the unanticipated cost impacts, identified deficiencies in the original Project budget that undervalued the Project and has provided recommendations going forward that will be implemented to the extent practicable.

As of December 2012, the following project elements have been completed:

- New 78' x 30' high definition video board with an 11' high channel cut signature sign at north end
- Ten (10) new independent LED advertising panels at the rim of the stadium (north and south end zones)
- Reconstructed the historic 1940 scoreboard and housing on the south end with new LED panels
- New 34' x 12' LED scoreboard on the east side of stadium with an additional advertising opportunity above
- Modified north and south end zones to re-call historic concrete field walls
- New LED field board at the north and south end zones for the UCLA season
- Widened 8 stadium access tunnels (4 on north and 4 on south)
- New exit aisles with intermediate risers and new handrails at north and south end zones
- Repaired and resealed existing concrete seating decks in the north and south end zones
- New utility (medium voltage and technology) infrastructure loop
- New 17KV Service to the stadium

The project elements that are planned to be complete by the end of 2013 are as follows:

- New Pavilion with over 2,400 premium seats, two new writing press areas, new A/V control room and equipment, new command post and equipment, new commercial kitchen
- Re-construct Five (5) west restroom structures at base of Pavilion (totaling 60 women's fixtures and 60 men's fixtures)
- Construct new 10' x 20' broadcast head-in building
- Install new permanent broadcast cabling
- Construct new north electrical substation and set/connect 17KV switch and transformer

RBOC staff evaluated various options in order to keep costs as close as possible to the $152 million appropriated budget, as well as identifying new funding sources. Some elements of the project are being recommended for deferral and others are anticipated to be redesigned in order to reduce their overall costs. The remaining project elements that are under consideration for either future and/or deferred work are as follows:

- Anticipated work for calendar year 2014
    - Complete Field Wall and Historic Hedge Restoration at East and West sidelines
    - Construct two (2) new public restrooms in tunnels 23A and 28A for field level seating areas (totaling 16 women's fixtures and 16 men's fixtures)
    - Modify existing tunnels 7A and 15A for use as field level exit path
    - Construct new south electrical substation and set/connect 17KV switch and transformer
    - Reconfigure maintenance work areas under stadium at south end to accommodate new restrooms structures
    - Construct new bio swale
- Anticipated work for calendar years 2015 through 2018
    - Upgrade 8 entry gates with new stadium signage and sponsorship opportunity
    - Expand concourse area by extending and enlarging perimeter fence line
    - Increase concession points of sale on the concourse by 50%
    - Transfer existing structures to be fed off of new 17kv Service and Utility Backbone for stadium
- Anticipated deferred work
    - Widen four additional stadium entrance tunnels (Tunnels 9, 14, 23, and 28)

The lease agreements with the Rose Bowl tenants require certain project elements to be completed in order to achieve "substantial completion" which triggers certain financial terms to the benefit of the RBOC. Failing to reach "substantial completion" by the end of 2013 may have a significant impact on RBOC net revenues, making it more difficult to meet debt service and operating costs.

Staff is working with UCLA and the Tournament of Roses (Tenants) on an agreement to allow the beneficial financial triggers associated with achieving "substantial completion" to be realized by the beginning of the 2013 UCLA football season even though completion of the construction of some of the elements necessary to achieve "substantial completion" under the lease agreements may not be complete by such date. These discussions with Tenants are ongoing and the primary proforma, Exhibit A, assumes that these negotiations are successful. An alternative proforma, Exhibit D, reflects the fiscal impact of not reaching agreement with the Tenants with respect to modifications to the leases and assumes the financial benefits to RBOC referenced in the existing Tenant leases would not be attained until 2018.

Staff believes that the Tenants still want assurances that certain desired project elements will be completed within a revised timeline satisfactory to the Tenants in order for the Tenants to agree to allow the beneficial financial triggers to be achieved by the beginning of the 2013 UCLA football season.

To achieve the project objectives, staff is recommending the issuance of additional bonds and the deferral, elimination, and/or redesign of specific Project elements. Certain elements, such as entry gates and widening the concourse, would wait until future equity contributions are received from Legacy Connection's fundraising effort (Rose Bowl Legacy Campaign) and from Rose Bowl operations.

The non-profit Rose Bowl Legacy Campaign was created to raise private funds to help enhance the Rose Bowl. Legacy has set a goal of raising a minimum of $20 million for the Rose Bowl and to date has commitments in excess of $8 million dollars. These gifts will be fulfilled over multiple years and therefore should be utilized to fund future elements of the project as the funds are actually received. Staff has been communicating with UCLA and the Tournament of Roses on the developments and status of the project, and will continue to do so.

RBOC and City staff have been working to address both the anticipated short-term cash flow needs of the project as well as long-term financing to fill the funding gap. The options analyzed included a bank loan, use of the EB5 program, an internal loan from the City, a bank letter/line of credit, and restructuring of the existing 2006 Rose Bowl debt. Evaluation criteria included the processing time to complete the debt issuance, cash flow impact on the City/RBOC, ease of administration, flexibility to use proceeds for taxable and tax-exempt elements, risks to the City/RBOC, interest rates, and cost of issuance of the debt. In order to maintain the construction schedule and complete work already awarded, a financing solution will need to be implemented prior to depletion of 2010 bond proceeds and available project equity, which is anticipated to occur in January 2013.

The proposed financing plan assumes current bond proceeds, equity in hand, and new bond proceeds would be utilized to fund project elements under the contracts that have been awarded to date. The remaining project elements would be funded in future years with anticipated "equity contributions," Rose Bowl Legacy donations, and stadium revenues. This concept will allow the current work to be completed primarily through bond proceeds with future work being funded with future dollars once they have been received, allowing greater flexibility to the RBOC and City Council and financial assurance going forward.

After reviewing various financing scenarios for the new bond proceeds, staff recommends restructuring the existing 2006 Rose Bowl debt and a temporary "bridge loan" from the City. Before the new bond proceeds are available, RBOC will need a bridge loan of approximately $6 million. This loan will be repaid once the restructured bonds are issued, which will be prior to June 30, 2013 and will contain an interest rate equal to the City's average portfolio earnings rate plus 0.25 percent.

The 2006 Rose Bowl bonds will have an outstanding principal of $33.5 million after the scheduled principal redemption on December 1, 2012. Approximately 20 percent of this debt is actually unrelated City debt that is being repaid by the City's General Fund. The Rose Bowl debt and the City debt were combined to improve debt issuance efficiencies that were available at the time of issuance. The recommended financing option structure only includes the Rose Bowl portion of the 2006 outstanding debt, which is approximately $26.8 million. The City portion would still mature as planned in 2023. The proposed restructure would extend the Rose Bowl portion of the 2006 debt to 2043 and issue new debt that would yield $30 million in net new money for the project. It is estimated that the new combined structure would result in a 2012 debt instrument of approximately $58 million. It is typical to request authority for an issuance cap that is more than the anticipated debt issuance to provide flexibility if additional bonds could be issued without increasing the expected debt service. This is why the staff recommendation will be to authorize the issuance of up to $60 million.

Union Bank currently owns the outstanding 2006 bonds. These bonds are synthetically fixed through the use of a swap agreement with Deutsche Bank. This means that even though the bonds are variable rate bonds, the swap agreement provides a hedge against changes in the variable rate market and allows the City to effectively pay a fixed rate. Given the complicated nature of the bonds and Union Bank's understanding of the structure as a result of its ownership of the outstanding bonds, staff believes that restructuring the existing 2006 debt and issuing new debt to net $30 million of new proceeds using a direct purchase structure through Union Bank would be the most efficient option. Union Bank has agreed to this structure and has provided a preliminary term sheet related to the direct purchase structure. The basic structure of the 2012 issue would be:

- Issuance of 30-year, variable rate debt directly placed with Union Bank consisting of the outstanding Rose Bowl portion of the outstanding 2006 bonds and additional new debt that would net $30 million of new bond proceeds. Total issue size of approximately $58 million. This restructure issue would be backed by the City and would be variable debt as is the case with the existing 2006 debt.

- Bond distribution for the $30 million of new bond proceeds of approximately 60 percent taxable bonds and approximately 40 percent tax-exempt bonds. The taxable bonds would have a fixed interest rate of 1.9 percent that would reset every five years based on market conditions at the time of the reset. The tax-exempt bonds would have a variable interest rate of 65 percent of one month LIBOR plus 0.75 percent which would be approximately 0.88 percent in today's market. The actual rates will be finalized once the City receives the final term sheet from the bank. Although, the taxable bonds are more expensive, the IRS restricts the use of tax-exempt bonds to certain types of public project uses. A tax analysis conducted by bond counsel indicates that the approximate 60-40 percent split for the new money is required to meet the tax code.

- Prepayment option without penalty after five years for the fixed rate taxable bonds and after the first year for the variable rate tax-exempt bonds.

- Interest rates on the taxable portion of the bonds would reset every five years depending on market conditions at the time of the reset.

- Interest rates would increase if the City's credit rating were downgraded in varying amounts depending on the severity of the downgrade.

- The average annual debt service would be approximately $2.58 million. The current annual debt service on the existing 2006 bonds is $3.1 million.

In developing the financing plan, staff considered the private placement structure from Union Bank as well as a public offering of fixed rate lease revenue bonds in the capital markets. Staff also asked Union Bank if it would be interested in a 30-year fixed rate structure, which was of no interest to Union Bank. Staff believes there are significant benefits to the private placement structure including:

Issuance Efficiencies

The 2006 bonds are variable rate bonds that are swapped to a synthetic fixed rate of 3.285 percent through their final maturity of December 1, 2023. This swap, which provided a hedge to the variable rate bonds creating the synthetic fixed rate, was entered into in 2006. While a portion of these 2006 bonds are being refunded, the pro-rata portion of the swap will remain outstanding. This is because, in current market conditions, terminating the swap would cost over $5 million. As a result, if the City issued fixed rate, tax-exempt refunding bonds rather than variable rate refunding bonds, it would have to pay two fixed rates; the fixed swap rate from the refunded bonds as well as the new fixed rate on that portion of the refunding bonds. Under the private placement structure, the swap will remain as originally structured.

Attractive 5-Year Initial Period Interest Rates

The proposed structure has a low initial 5-year taxable rate of 1.9 percent and assumes increases in this fixed rate portion of the bonds every five years of 1 percent until historic averages are achieved. Additionally, pricing on the tax-exempt variable portion is at the same rate as the City has today on its outstanding loan with Union Bank, but with a longer, 5-year term. This will save the RBOC over $3.6 million over the next five years when compared to the 30-year fixed rate alternative.

No Debt Service Reserve Requirement

Union Bank approved the structure with no debt service reserve fund ("DSRF") requirement allowing $2.953 million from the existing DSRF to be released and contributed to the financing which reduces the size of the new bond financing.

Lower Overall Cost

Private placement pricing results in lower near term and total debt service than a capital markets structure. The annual savings in the debt service is estimated at $780,000. The present value savings over the 30-year term, if the assumptions materialize, would be approximately $13 million when compared to a 30-year fixed rate structure.

Ease of Execution

A private placement structure allows for streamlined negotiations with the City's existing lender and does not require the preparation of an Official Statement, an appraisal, or a rating agency presentation that are typically required under a public offering.

Optionality/Flexibility

The private placement variable rate structure incorporates some optionality and flexibility into the Rose Bowl's capital structure. After the restructured financing, 74.5 percent of the Rose Bowl debt will be effectively non-callable (either non-callable bonds or bonds subject to an expensive make-whole provision) and 25.5 percent will be callable. If the restructured bonds were issued as traditional fixed rate bonds, they would be non-callable for at least 10 years. Under the proposed private placement's legal documents, the restructured Lease Revenue Bonds are callable after one year at par in the case of the tax-exempt bonds and after five years for the taxable bonds at par. As a result, if additional funds are available at any time, the City can accelerate the repayment of the debt or, if necessary, restructure in the future.

Benefit to the General Fund

The remaining $779,883 currently in the 2006 DSRF applicable to the bonds issued for City projects will be released to the City's General Fund.

Private Placement Financing Risks

The private placement variable rate structures do have some risks that are not present in long-term, fixed rate bond issues, including:

- Interest Rate Risk - Future interest rates are unknown and may be higher than assumed in the City's analysis. The proposed solution anticipates interest rate increase of 100 basis points or 1 percent every five years for the taxable portion of the bonds until the rate reaches 3.9 percent. For the variable tax-exempt rate portion of the financing, the interest rate is assumed to increase to the historic average tax exempt rate within 12 months.

- Increased Costs - Beginning in 2015, commercial banks will be subject to revised regulations that may impact their costs under Basel III. Basel III is a global regulatory standard on bank capital adequacy, stress testing, and market liquidity risk agreed upon by the members of the Basel Committee on Banking Supervision in 2010-11. In addition, the ongoing implementation of the Dodd Frank Wall Street Reform and Consumer Protection Act may impact bank costs. Under the Continuing Covenants Agreement the City will enter into with Union Bank, these types of increased costs can be passed onto the City. The timing or magnitude of these potential increased costs cannot be quantified at this time.

General Financing Risks

As is the case with any issuance of debt, a number of risks exist. A brief description of each is provided below.

- Market Risk – There is no market to restructure the outstanding debt if the anticipated revenues to repay the outstanding debt do not materialize. This would require the City/RBOC to either pay the principal from City funds or default on the debt.

- Interest Rate Risk – There is a market to restructure the outstanding debt if the anticipated revenues to repay the outstanding debt do not materialize; but the rate is significantly higher resulting in a debt service payment higher than anticipated revenues to pay the debt service. This would also require the use of City/RBOC funds to address any shortfall or default on the debt.

- City's Credit Rating Downgrade – As proposed by Union Bank, which if typical in this type of structure, a penalty interest rate would be applied if the City's credit rating falls below a certain level. There are a number of issues in the current environment that pose a risk to the City's current AAA credit rating.

Examples include:

a. Continued economic declines that reduce the fund balance of the General Fund
b. Changes in the law or accounting reporting requirements that reduce or eliminate General Fund revenue (RDA elimination)
c. Anticipated revenues to repay the debt are insufficient requiring the use of City General Fund balance to repay the debt thus decreasing fund balance or not paying and defaulting on the debt.

- Future Tax-Exemption (Simpson/Bowles) - Tax-exemption results in lost revenues to the federal government. As a result, reducing or eliminating tax-exempt interest has arisen in past and recent deficit reduction discussions. In the report from the National Commission on Fiscal Responsibility and Reform released in December 2010 and co-chaired by former Republican Senator Alan Simpson and Clinton Chief of Staff Erskine Bowles, one of the suggestions was to eliminate tax exempt bonds. The report, however, didn't receive an affirmative vote from the commission members and never advanced. It is unknown at this time whether Congress will take any actions that will impact tax-exemption and if they do what form any such change will take.

Revised Proforma

Another element used in development of the recommended financing option to address the construction gap was determining how much additional debt would be prudent and affordable for the RBOC. This required updating the 30-year Rose Bowl Stadium proforma. Although most of the assumptions used to develop the 30-year stadium proforma associated with the issuance of the 2010 debt are unchanged, a number of assumptions have changed or been added based on more recent information. The overall impact of the assumption changes is a more conservative estimation of revenues in the first five years than what was in the original proforma.

The major assumption changes are listed below:

1. Revenue from Horizon Level Seating has been dramatically reduced at this time due to the uncertainty of its pricing and capacity.
2. Concessionaire $2 million advance instead of $3 million originally assumed and renewals of the concessionaire advance of $1.5 million in year 2024 and in year 2034.
3. No Legacy equity has been included in the operating proforma.
4. No "surplus revenue" distribution to tenants.

5. Assumes Renegotiated Golf Course Management Agreement as of FY 2017, resulting in less transfer to golf course capital and an increased transfer of $300,000 to stadium operations.
6. UCLA occupancy for luxury suites reduced to 60 percent from 90 percent then grows 10 percent every five years until it reaches 80 percent.
7. UCLA occupancy for club seats reduced to 60 percent from 90 percent then grows 10 percent every five years until it reaches 80 percent.
8. Added $170,000 cost for LED scoreboard lease every year beginning in 2014.
9. Increased growth factor to 3 percent from 2 percent for salary and benefit costs and the addition of a marketing/sales position in 2014 totaling $260,000 per year.
10. Added operating/capital reserve to be maintained at 20 percent of gross revenues.

The updated 30-year Rose Bowl Stadium proforma, which incorporates the assumption changes listed above and the restructured debt gap financing option discussed previously, is presented in summary form in Exhibit A. The detail information supporting the summarized activity reflected in Exhibit A is presented as Exhibit B. On average, the revised proforma assumes $1.5 million per year less in revenues and $500,000 of additional expenses per year than the original 2010 proforma. It should be noted, however, that the proforma presented is subject to change based on the discussions being conducted with UCLA and the Tournament of Roses. The estimated sources and uses for the project are presented as Exhibit C.

Staff also reviewed two additional and more conservative versions (Conservative 1 and Conservative 2) of the recommended fixed/variable financing structure to gauge potential impacts on the Rose Bowl Stadium proforma. Exhibit F provides a comparison of the impacts on the net operating results of the recommended financing structure, the Conservative 1 structure, the Conservative 2 structure, and the capital market structure. As reflected in Exhibit F the recommended structure provides the best combination of positive operating results and flexibility.

Members of the Finance Committee also requested an updated projection of General Fund end of year operations based on current trends and a revised Exhibit A and B assuming delayed substantial completion. These items are reflected as Exhibits G, D, and E, respectively.

Going Forward

For the RBOC, the Rose Bowl Stadium, and Brookside Golf Courses to have long-term success, additional, though perhaps incremental, revenue generation is critical. To that end, the RBOC is developing a four-year business plan, with six key objectives:

1. Provide an outline of initiatives to preserve and enhance the Rose Bowl Stadium and Brookside Golf Course as assets for the City of Pasadena;
2. Identify a strategy for the RBOC to complete, the original vision for the ongoing Rose Bowl renovation project set forth in the master plan;
3. Review the financial structure and short and long-term outlook of the RBOC;
4. Review, maintain, and enhance key relationships with the community;
5. Review the governance and staffing of RBOC; and
6. Present recommendations or action plans moving forward.

The submission of the business plan to the RBOC and Council (and/or appropriate sub-committees) for review is anticipated during the first quarter of 2013. The review of the governance of the RBOC will be completed by the City Manager's office.

ENVIRONMENTAL ANALYSIS:

On May 24, 2010, the City Council approved the Rose Bowl renovation project as required by the California Environmental Quality Act. The actions proposed herein relate to the financing of the project as approved. Therefore, there are no changed circumstances or new information about the project that would trigger further environmental review.

FISCAL IMPACT:

Approval of this item will result in the private placement with Union Bank of up to $58 million of 30-year bonds that will restructure the existing 2006 bonds of approximately $26.8 million and issue additional bonds of up to $31.2 million to net $30 million of new proceeds for the Rose Bowl project. The structure will be a combination of 5-year fixed and variable rate bonds with an annual debt service payment of approximately $2.58 million through 2043. The actual amount of bonds issued and the debt service will be determined at the close of the transaction.

The current 2006 bonds would have matured in 2023 and has a current annual debt service of approximately $3.1 million. The 2006 bond portion of the restructured bonds would continue to carry a variable rate as is currently the case. The new money portion of the bonds would be approximately 60 percent taxable and approximately 40 percent tax-exempt to meet federal tax law requirements. The restructured bonds would be backed by the City of Pasadena. Based on the assumptions used to revise the 30-year proforma for the stadium, although tight, the debt service per this structure can be accommodated with a combination of stadium and golf course revenues.

Respectfully submitted,

ANDREW GREEN
Treasurer
Pasadena Public Financing Authority

Prepared by:

Vic Erganian
Deputy Director of Finance/
City Treasurer

Concurred by:

DARRYL DUNN
General Manager
Rose Bowl Operating Company

Approved by:

for MICHAEL J. BECK
Executive Director
Pasadena Public Financing Authority

Attachments: (7)

Recommended:

Exhibit A – Proforma with Modified Tenant Leases
Exhibit B – Detail Proforma with Modified Tenant Leases
Exhibit C – Sources and Uses

Information Only:

Exhibit D - Proforma without Modified Tenant Leases
Exhibit E – Detail Proforma without Modified Tenant Leases
Exhibit F – Scenario Summary
Exhibit G – General Fund Update

RESOLUTION NO. ______

A RESOLUTION OF THE BOARD OF THE PASADENA PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF PASADENA PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS (ROSE BOWL RENOVATION PROJECT), SERIES 2013A (TAX-EXEMPT) IN AN AGGREGATE PRINCIPAL AMOUNT Of NOT TO EXCEED $41,000,000, THE ISSUANCE OF PASADENA PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS (ROSE BOWL RENOVATION PROJECT), SERIES 2013B (TAXABLE) IN AN AGGREGATE PRINCIPAL AMOUNT Of NOT TO EXCEED $24,000,000, THE EXECUTION AND DELIVERY OF A BOND INDENTURE, A CONTINUING COVENANT AGREEMENT, A FIRST AMENDMENT TO AMENDED AND RESTATED SUBLEASE AND A FIRST SUPPLEMENTAL BOND INDENTURE AND CERTAIN OTHER ACTIONS RELATING THERETO

WHEREAS, pursuant to the Bond Indenture, dated as of February 1, 2006 (the "Original Indenture"), by and between the Pasadena Public Financing Authority (the "Authority") and Deutsche Bank National Trust Company, as trustee (the "2006 Trustee"), the Authority issued its Pasadena Public Financing Authority Variable Rate Demand Lease Revenue Bonds (Rose Bowl Refinancing and Improvements Projects), Series 2006 (the "2006 Bonds");

WHEREAS, the 2006 Bonds were issued for the purpose of, among other things, financing the acquisition, construction and installation of certain public improvements to the existing Rose Bowl Stadium located in the City of Pasadena (the "City");

WHEREAS, the Original Indenture was amended and restated by and pursuant to the Bond Indenture, dated as of May 1, 2011, by and between the Authority and the 2006 Trustee (as so amended and restated, the "Restated Indenture");

WHEREAS, the City desires to provide for the refunding of a portion of the 2006 Bonds and the financing of the acquisition, construction and installation of certain additional public improvements to the Rose Bowl Stadium (the "Rose Bowl Improvements");

WHEREAS, the Authority desires to assist the City in providing for such refunding and financing;

WHEREAS, in order to provide funds to refund a portion of the 2006 Bonds and finance the acquisition, construction and installation of the Rose Bowl Improvements, the Authority proposes to issue not to exceed $41,000,000 aggregate principal amount of its Pasadena Public Financing Authority Lease Revenue Bonds (Rose Bowl Renovation Project), Series 2013A (Tax-Exempt) (the "Series 2013A Bonds"), and not to exceed $24,000,000 aggregate principal amount of its Pasadena Public Financing Authority Lease Revenue Bonds (Rose Bowl Renovation

Project), Series 2013B (Taxable) (the "Series 2013B Bonds" and, together with the Series 2013A Bonds, the "2013 Bonds");

WHEREAS, the 2013 Bonds are to be issued pursuant to a Bond Indenture, by and between the Authority and Deutsche Bank National Trust Company, as trustee (the "Indenture");

WHEREAS, the 2013 Bonds are to be purchased pursuant to a Continuing Covenant Agreement, by and among the Authority, the City and Union Bank, N.A. (the "Continuing Covenant Agreement");

WHEREAS, the 2006 Bonds and certain other bonds previously issued on a parity therewith (collectively, the "Bonds") are payable from base rental payments payable by the City to the Authority pursuant to the Amended and Restated Sublease, executed and entered into as of May 1, 2011, by and between the Authority and the City (the "Restated Sublease");

WHEREAS, the Restated Sublease provides that, in addition to the Bonds, the Authority may, from time to time, issue additional bonds on a parity with the Bonds, the proceeds of which may be used for any lawful purpose by the City; provided that prior to or concurrently with the issuance of the additional bonds, the City and the Authority shall have entered into an amendment to the Restated Sublease providing for an increase in the base rental payments to be made thereunder;

WHEREAS, in order to comply with such provision of the Restated Sublease with respect to the 2013 Bonds, the Authority and the City propose to enter into a First Amendment to Amended and Restated Sublease (the "First Amendment");

WHEREAS, in connection with the proposed refunding of the 2006 Bonds, the Authority and the holder of all of the outstanding 2006 Bonds desire to modify and amend certain provisions of the Restated Indenture;

WHEREAS, such modifications and amendments are to be made pursuant to a First Supplemental Bond Indenture by and between the Authority and the 2006 Trustee (the "First Supplemental Indenture");

WHEREAS, there have been presented to this meeting of the Board of the Pasadena Public Financing Authority (the "Board") proposed forms of the following documents and agreements:

(1) The Indenture;

(2) The Continuing Covenant Agreement;

(3) The First Amendment; and

(4) The First Supplemental Indenture;

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

Section 1. Subject to the provisions of Section 3 hereof, the issuance of the Series 2013A Bonds, in an aggregate principal amount of not to exceed $41,000,000, on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture, be and the same is hereby authorized and approved. The Series 2013A Bonds shall be dated, shall bear interest at the rates, shall mature on the dates, shall be subject to call and redemption, shall be issued in the form and shall be as otherwise provided in the Indenture, as the same shall be completed as provided in this Resolution.

Section 2. Subject to the provisions of Section 3 hereof, the issuance of the Series 2013B Bonds, in an aggregate principal amount of not to exceed $24,000,000, on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture, be and the same is hereby authorized and approved. The Series 2013B Bonds shall be dated, shall bear interest at the rates, shall mature on the dates, shall be subject to call and redemption, shall be issued in the form and shall be as otherwise provided in the Indenture, as the same shall be completed as provided in this Resolution.

Section 3. The form of Indenture presented to this meeting of the Board, and on file with the Secretary, is hereby approved. Each of the Executive Director and the Treasurer, acting singly, is hereby authorized and directed for, on behalf of, and in the name of the Authority, to execute and deliver the Indenture in substantially said form, with such changes, insertions and deletions as may be consistent with this Resolution and as may be approved by the officer executing the Indenture, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that such changes, insertions and deletions (a) shall not authorize an aggregate principal amount of Series 2013A Bonds in excess of $41,000,000, shall not result in a final maturity date of the Series 2013A Bonds later than December 1, 2042 and shall not result in an initial interest rate on the Series 2013A Bonds in excess of 1.10% per annum, and (b) shall not authorize an aggregate principal amount of Series 2013B Bonds in excess of $24,000,000, shall not result in a final maturity date of the Series 2013B Bonds later than December 1, 2042 and shall not result in an initial interest rate on the Series 2013B Bonds in excess of 1.90% per annum.

Section 4. The form of Continuing Covenant Agreement presented to this meeting of the Board, and on file with the Secretary, is hereby approved. Each of the Executive Director and the Treasurer, acting singly, is hereby authorized and directed for, on behalf of, and in the name of the Authority, to execute and deliver the Continuing Covenant Agreement in substantially said form, with such changes, insertions and deletions as may be consistent with this Resolution and as may be approved by the officer executing the Continuing Covenant Agreement, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The form of First Amendment presented to this meeting of the Board, and on file with the Secretary, is hereby approved. Each of the Executive Director and the Treasurer, acting singly, is hereby authorized and directed for, on behalf of, and in the name of the Authority, to execute and deliver the First Amendment in substantially said form, with such changes, insertions and deletions as may be consistent with this Resolution and as may be approved by the officer executing the First Amendment, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The form of First Supplemental Indenture presented to this meeting of the Board, and on file with the Secretary, is hereby approved. Each of the Executive Director and the Treasurer, acting singly, is hereby authorized and directed for, on behalf of, and in the name of the Authority, to execute and deliver the First Supplemental Indenture in substantially said form, with such changes, insertions and deletions as may be consistent with this Resolution and as may be approved by the officer executing the First Supplemental Indenture, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The Executive Director, Treasurer, Secretary and all other appropriate officers of the Authority are hereby authorized and directed, acting singly, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the transactions contemplated by this Resolution and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution. Any actions heretofore taken by such officers in connection therewith are hereby ratified, confirmed and approved.

Section 8. The Secretary is hereby authorized and directed to attest the signature of the Executive Director, the Treasurer or such other Authority officers as may be required or appropriate in connection with the execution and delivery of the agreements and documents contemplated by this Resolution or any related document or instrument.

Section 9. This Resolution shall take effect immediately upon its adoption.

PASSED by the Board of the Pasadena Public Financing Authority at a regular meeting this 7th day of January, 2013, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

____

Secretary

APPROVED AS TO FORM:

1/2/2013

Deputy City Attorney

FOR ATTACHMENTS
TO THIS REPORT
SEE AGENDA
ITEM 8