



# Ordinance Fact Sheet

TO: CITY COUNCIL

DATE: June 23, 2014

FROM: CITY ATTORNEY

SUBJECT: AN ORDINANCE OF THE CITY OF PASADENA AMENDING PASADENA MUNICIPAL CODE TITLE 4, CHAPTER 4.08, COMPETITIVE BIDDING ORDINANCE, TO PROVIDE FOR THE SOLICITATION AND ENTERING INTO A LOAN FACILITY WITH A FINANCIAL INSTITUTION DESIGNED TO SERVE AS AN INTERIM FINANCING OF IMPROVEMENTS TO THE ELECTRIC UTILITY, WHICH LOAN FACILITY WILL BE EVIDENCED BY A SUBORDINATE ELECTRIC REVENUE BOND; AND AUTHORIZING THE ISSUANCE BY THE CITY OF NOT TO EXCEED \$75,000,000 AGGREGATE PRINCIPAL AMOUNT OF A CITY OF PASADENA SUBORDINATE ELECTRIC REVENUE BOND PAYABLE OUT OF THE LIGHT AND POWER FUND

## **TITLE OF PROPOSED ORDINANCE:**

AN ORDINANCE OF THE CITY OF PASADENA AMENDING PASADENA MUNICIPAL CODE TITLE 4, CHAPTER 4.08, COMPETITIVE BIDDING ORDINANCE, TO PROVIDE FOR THE SOLICITATION AND ENTERING INTO A LOAN FACILITY WITH A FINANCIAL INSTITUTION DESIGNED TO SERVE AS AN INTERIM FINANCING OF IMPROVEMENTS TO THE ELECTRIC UTILITY, WHICH LOAN FACILITY WILL BE EVIDENCED BY A SUBORDINATE ELECTRIC REVENUE BOND; AND AUTHORIZING THE ISSUANCE BY THE CITY OF NOT TO EXCEED \$75,000,000 AGGREGATE PRINCIPAL AMOUNT OF A CITY OF PASADENA SUBORDINATE ELECTRIC REVENUE BOND PAYABLE OUT OF THE LIGHT AND POWER FUND

## **PURPOSES OF THE ORDINANCE:**

On December 3, 2013, the City issued its Electric Revenue/Refunding Bonds, 2013A Series in the aggregate principal amount of \$80,485,000, the proceeds of which are expected to be used primarily for the purpose of financing a portion of the Glenarm Repowering Project ("GT-5 Repowering Project"). Staff analyzed additional funding options for the remaining costs of the GT-5 Repowering Project including financing all

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costs with a line of credit (“LOC”) and subsequently refinancing the LOC upon project completion. Staff believes that the LOC is a low-cost way of funding the balance of the GT-5 Repowering Project as it greatly reduces the financing risks for the project. The recommended LOC will facilitate the issuance of the correct amount of fixed rate bonds without any insufficiencies or overages, minimizing long-term costs to ratepayers.

Bond Counsel to the City has determined that the contemplated LOC evidenced by a revenue bond would be authorized under Article XIV of the City’s Charter. A revenue bond needs to be sold at a public sale (Section 1414 of the Charter). However, Section 1414 does not provide guidance on what constitutes a public sale. Because the final terms of the LOC are expected to be negotiated once a provider is selected, there should be more assurance that what is being contemplated is in fact a public sale.

The proposed ordinance amends the competitive bidding ordinance and also acts as the authorizing ordinance under Section 1412 of the Charter.

**REASONS WHY LEGISLATION IS NEEDED:**

The City’s competitive bidding ordinance, which is codified as Chapter 4.08 of the Pasadena Municipal Code, does not adequately address a LOC as contemplated. Bond Counsel recommends that the City amend the competitive bidding ordinance to specifically allow for the competitive bidding of a LOC, and that the selection of a provider in compliance with such competitive bidding process would then constitute a public sale satisfying Section 1414 of the Charter.

**PROGRAMS, DEPARTMENTS OR GROUPS AFFECTED:**

The Water and Power Department in conjunction with the Finance Department will administer the request for loan facility. Upon project completion, Light and Power customers are expected to save approximately \$3.4 million.

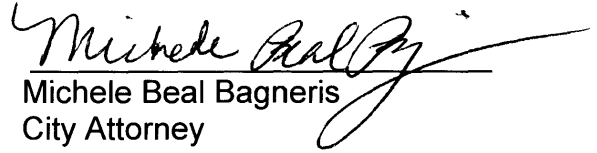
**FISCAL IMPACT:**

Repayments associated with the loan facility will be made from the Light and Power Fund. Interest on the loan facility will be addressed by utilization of current and future appropriations in Power Capital Improvement Program Budget number 3194-Local Generation Repowering Project. Under current market conditions, the structure of financing all remaining GT5 Repowering Project costs with a LOC and subsequently refinancing the LOC upon project completion with fixed rate bonds is expected to save ratepayers approximately \$3.4 million.


**POLICY CHANGES:**

This ordinance expressly prescribes a procedure for the competitive bidding of a loan facility such as a LOC.

Respectfully submitted,

  
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