



Agenda Report

June 10, 2019

TO: Honorable Mayor and City Council

FROM: City Manager

SUBJECT: **ADOPTION OF A RESOLUTION AND THE FIRST READING OF AN ORDINANCE AUTHORIZING THE INVITATION OF BIDS FOR THE PURCHASE OF ELECTRIC REVENUE REFUNDING BONDS, 2019A SERIES OF SAID CITY; APPROVING A NOTICE OF INTENTION TO SELL BONDS; A PRELIMINARY OFFICIAL STATEMENT; A NOTICE INVITING BIDS; AUTHORIZING THE PUBLICATION OF A NOTICE OF INTENTION TO SELL BONDS; AUTHORIZING THE ISSUANCE BY THE CITY OF NOT TO EXCEED \$12,625,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF PASADENA ELECTRIC REVENUE REFUNDING BONDS, 2019A SERIES, PAYABLE OUT OF THE LIGHT AND POWER FUND, APPROVING THE EXECUTION AND DELIVERY OF A TENTH SUPPLEMENTAL TO ELECTRIC REVENUE BOND FISCAL AGENT AGREEMENT, AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH.**

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt a Resolution authorizing the invitation of bids for the purchase of Electric Revenue Refunding Bonds, 2019A Series of said city, approving a notice of intention to sell bonds, a preliminary official statement, a notice inviting bids, authorizing the publication of a notice of intention to sell bonds, and authorizing certain other actions in connection therewith; and
2. Conduct the first reading of "AN ORDINANCE OF THE CITY OF PASADENA AUTHORIZING THE ISSUANCE BY THE CITY OF NOT TO EXCEED \$12,625,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF PASADENA ELECTRIC REVENUE REFUNDING BONDS, 2019A

SERIES, PAYABLE OUT OF THE LIGHT AND POWER FUND, AND APPROVING THE EXECUTION AND DELIVERY OF A TENTH SUPPLEMENT TO ELECTRIC REVENUE BOND FISCAL AGENT AGREEMENT, AN ESCROW AGREEMENT AND A CONTINUING DISCLOSURE AGREEMENT IN CONNECTION THEREWITH.

BACKGROUND:

In 2009, the City issued \$40,655,000 aggregate principal amount of its Electric Revenue Refunding Bonds to refinance the outstanding balance of its 1998 Series Bonds. The 1998 Bonds were issued to advance refund the City's then outstanding Electric Works Revenue Bonds, 1990 Series, refund the outstanding Electric Works Revenue Bonds, 1992 Series, refund the outstanding Electric Works Revenue Bonds, 1993 Series, refund the outstanding obligations under a Resource Efficiency Program Agreement, dated as of July 1, 1994 between the Financing Authority for Resource Efficiency of California ("FARECal") and the City, as participant, and provide \$15 million to finance capital improvements to the Electric System including improvements to the distribution system substations, transmission and distribution lines, information system improvements and certain other facilities.

The current outstanding balance of the 2009 Bonds is \$15,885,000 with coupon interest rates ranging from 4.0% to 5.0%. After making the next principal payment scheduled on August 1, 2019, the remaining principal amount to refund will be \$12,625,000. Current market yields for Electric System bonds for the same maturities are approximately 1.3%. Since the 2009 Bonds can be optionally redeemed at 100% anytime on or after August 1, 2019 by the City, the difference in the fixed interest rates being paid on the 2009 Bonds and the current market yields presents an opportunity to generate savings by way of refunding the entire balance of the 2009 Bonds.

The 2019A Bonds will be issued with fixed interest rates and sold on a competitive basis. The bonds will have a term of five years with the final maturity on August 1, 2024. The option bonds will be given to the bidder who will compete based on the lowest true interest cost on the 2019A Bonds. Based on current market conditions and the proposed bond structure which matures in 2024, the anticipated net present value savings are expected to be approximately \$750,000 or 6.0% of the refunded principal. The annual debt service savings for the fiscal year 2021 through 2025 is currently estimated at \$160,000.

The Resolution and Ordinance authorize the issuance of, and approve the various documents in connection with the issuance of the Electric Revenue Refunding Bonds, 2019A Series, with a principal amount not to exceed \$12,625,000 and at a true interest cost not to exceed 3.5%. The resolution also appoints Nixon

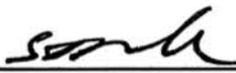
Peabody, LLP as bond and disclosure counsel and Public Resources Advisory Group as Municipal Advisor.

FISCAL IMPACT:

In today's interest rate environment, it is anticipated that the Electric Fund will realize an estimated \$750,000 in net present value savings with annual debt service savings of \$160,000. The actual savings will be dependent on the market conditions at the time the actual bidding is completed on the scheduled July 22, 2019 date. There will be no extension of the current term on the bonds which have a final maturity on August 1, 2024. The true interest cost is estimated at 1.37% based on current market rates. Debt service payments will be made from the Light and Power Fund and funds are available from currently approved rates. The attached Exhibit A is the estimated sources and uses of funds based on today's market interest rates.

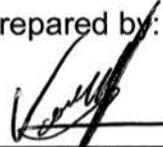
Pursuant to Senate Bill 450, the true interest cost of this financing is currently estimated to be 1.37%. The amount of proceeds to be received by the City is estimated to be \$12,855,937.75. The total principal and interest payment amount is estimated to be \$13,323,850 to the final maturity of the 2019A Bonds. The finance charge associated with this transaction is estimated to be \$268,380.

Respectfully submitted,



STEVE MERMELL
City Manager

Prepared by:



Vic Erganian
Deputy Director of Finance/City Treasurer

Approved by:



MATTHEW HAWKESWORTH
Director of Finance

Concurred by:


JMT _____
BAWA GURCHARAN
General Manager, Water and Power

Attachment: (1) Exhibit A
(2) Preliminary Official Statement