

Agenda Report

July 23, 2001

TO: City Council

THROUGH: Finance Committee

FROM: Rose Bowl Operating Company (RBOC)

SUBJECT: Approval to restrict \$470,000 of the RBOC's "Surplus" FY June 30, 2000 to establish an investment account to be used towards the future payment of debt service on the RBOC's bonds.

Recommendation:

It is recommended that the City Council approve the RBOC Board of Directors' recommendation to restrict \$470,000 of the RBOC's "Adjusted Net Income" (Surplus) generated during fiscal year ended June 30, 2000, to be used towards future payment of debt service on the RBOC's bonds.

Background:

Attached is a schedule that shows the RBOC operating results for the fiscal year ended June 30, 2000, which includes a Net Income before operating transfers of \$1,922,350 (audited) and a "Surplus" of \$891,126.

Previously the City Council approved appropriating \$300,000 of this surplus for future capital improvements on the Brookside Clubhouse. An additional \$120,000 has been appropriated for the renovation of Gate "A".

Below is a table that demonstrates how the restricted investment account would be implemented.

RESTRICTED INVESTMENT ACCOUNT (Reserve to pay for debt service on bonds)

The RBOC can invest the remainder of this surplus, by requesting that the City of Pasadena Finance Department create a separate, restricted investment account that would segregate these funds, but still allow them to be pooled with the rest of the RBOC and the City's investments.

Following is a schedule that demonstrates the amount of interest income that would be earned assuming that the RBOC were to open a separate account. Also, for comparative purposes, it assumes that these funds will remain untouched until after the 1996 bond is paid off in December 2017.

These schedules take these additional assumptions into account:

- 4.75% interest rate, compounded
- account started in July 2001

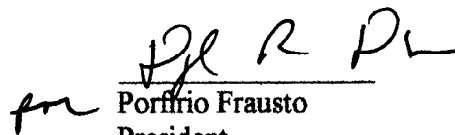
<u>AMOUNT INVESTED</u>	<u>INTEREST EARNED</u>	<u>TOTAL RESERVE</u>
\$1,000,000	\$1,135,068	\$2,135,068
\$750,000	\$851,308	\$1,601,308
\$500,000	\$567,540	\$1,067,540
\$400,000	\$454,039	\$854,039
\$300,000	\$340,512	\$640,512
\$200,000	\$227,013	\$427,013

Before deciding to set-up a restricted investment account as a reserve to pay for future debt service on its bonds, the RBOC considered other options such as additional capital improvements and the early pay down on the principal portion of its outstanding bond debt. Attached are examples of these options.

Fiscal Impact:

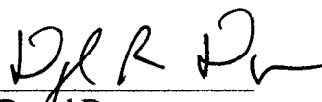
Based upon \$470,000 being placed in a "restricted" investment account, it is estimated that there would be an additional \$540,000 in investment income earned.

Respectfully submitted,



Porfirio Frausto
President

Prepared by:



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