

Agenda Report

DATE: OCTOBER 22, 2001

TO: Pasadena Public Financing Authority
THROUGH: Finance Committee

FROM: Cynthia J. Kurtz, Executive Director

SUBJECT: APPROVAL OF A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF NOT TO EXCEED \$23,000,000 CERTIFICATES OF PARTICIPATION (CAPITAL IMPROVEMENT REFUNDING PROJECT), SERIES 2001, A SITE LEASE, A LEASE AGREEMENT, A TRUST AGREEMENT, AN ASSIGNMENT AGREEMENT, A PURCHASE CONTRACT AND APPROVING OTHER RELATED DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH

RECOMMENDATION

It is recommended that the Pasadena Public Financing Authority adopt a Resolution authorizing the execution and delivery of not to exceed \$23,000,000 Certificate of Participation (COP) (Capital Improvement Refunding Project), Series 2001, a site lease, a lease agreement, a trust agreement, an assignment agreement, a purchase contract and approving other related documents and actions in connection therewith.

BACKGROUND

In May 1987, the City issued \$24,050,000 in COPs to fund various projects throughout the City. The net proceeds, \$21.2 million, were designated for a variety of projects, including street resurfacing, curbs and gutters reconstruction, park irrigation and municipal buildings and facilities repair. In July 1992, the City issued \$28.9 million in COPs. The majority of these proceeds were used to refund the 1987 COPs. Those projects funded with the 1987 proceeds assumed the debt service responsibility for the 1992 COPs. In addition, to refunding the 1987 COPs, \$2.7 million of new money was raised for projects in the Arroyo. Based upon recent actions of the City Council, all proceeds from the 1992 COPs have been spent or committed for projects. The debt service for the \$2.7 million portion of the 1992 COPs is paid for from 10% Arroyo Green Fee Funds.

DISCUSSION

Staff is recommending that the 1992 COPs be refunded with 2001 COPs due to declining interest rates that the City's ability to save money. Several structural options

were considered, including maintaining the same maturity on the bonds as the 1992 COPs but lowering the annual payments, keeping the annual payments the same, but shortening the terms on the 1992 COPs by one year and increasing the annual payments by approximately \$130,000 annually and shortening the terms on the 1992 COPs by two years. Below is a table summarizing the impact of each option.

	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>
Cumulative Savings	2,646,075	3,216,679	3,734,239
Average Interest Rate	3.96%	3.83%	3.73%
NPV Savings	1,581,964	1,714,631	1,840,421
NPV Savings (as % of O/S Bonds)	7.512%	8.142%	8.739%

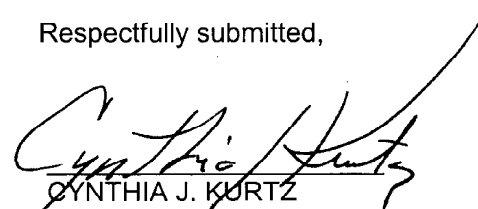
The current outstanding bonds have an average interest rate of 5.77% and are scheduled to be paid off in fiscal year 2013. The recommended Option 3 will mature in fiscal year 2011. No new money is being added to the issue.

Related City Council items are also on tonight's agenda for approval.

FISCAL IMPACT

The proposed refunding will result in lower interest rates. Under the proposed refunding structure, the annual debt service will increase by approximately \$130,000. The maturity of the bonds, however, will be reduced by two (2) years with a present value savings to the City of approximately \$1.8 million or 8.7%. The savings will be shared proportionately with all funds currently covering the debt service on the 1992 COPs.

Respectfully submitted,


 CYNTHIA J. KURTZ
 Executive Director

Approved by:


 JAY M. GOLDSTONE
 Treasurer