

# Agenda Report

DATE: JUNE 30, 2003

**TO:** Pasadena Community Development Commission

**THROUGH:** Finance Committee

**FROM:** Cynthia J. Kurtz, Chief Executive Officer

**SUBJECT:** APPROVAL OF A RESOLUTION AUTHORIZING THE ISSUANCE OF THREE SERIES OF TAX ALLOCATION REFUNDING BONDS AND THE SALE OF THE BONDS TO THE PASADENA PUBLIC FINANCING AUTHORITY RELATED TO THE COMMISSION'S FAIR OAKS, VILLA PARKE, AND LAKE/WASHINGTON REDEVELOPMENT PROJECTS, AND APPROVING RELATED DOCUMENTS AND ACTIONS.

## RECOMMENDATION

It is recommended that the Pasadena Community Development Commission approve a Resolution authorizing the issuance of three series of Tax Allocation Refunding Bonds and the sale of the bonds to the Pasadena Public Financing Authority relating to the Commission's Fair Oaks, Villa-Parke and Lake/Washington Redevelopment Projects, and approving related documents and actions.

## BACKGROUND:

The Pasadena Community Development Commission (PCDC) has three outstanding 1993 Tax Allocation Bonds (TAB's) with high interest rates ranging from 6.125% to 6.5%. The following represents the outstanding balance on each Tax Allocation Bond prior to the refunding:

<u>Issue</u>	<u>Outstanding amount</u>	<u>Interest rate</u>
1993 Fair Oaks TABs	\$2,765,000	6.125%
1993 Lake/Washington TABs	\$ 995,000	6.500%
1993 Villa-Parke TABs	\$1,040,000	6.500%

The debt service on all three issues is currently at \$367,818.

### **DISCUSSION**

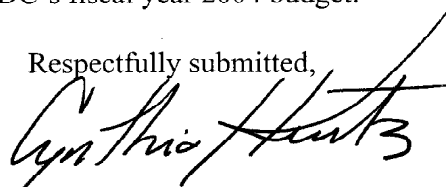
Due to the current attractive interest rate environment , staff is recommending refunding these three outstanding Tax Allocation Bonds. The refunding will be facilitated through the Pasadena Public Financing Authority (PPFA), a Joint Powers Authority between the City of Pasadena and the Pasadena Community Development Commission. This way one bond offering will be made for the entire amount resulting in lower cost of issuance for PCDC. PPFA will then purchase the refunding TABs from PCDC and with the proceeds of the sale PCDC will retire the 1993 outstanding TABs. PCDC will make semi-annual debt service payments to PPFA and PPFA will make payments to the bond holders.

This transaction solely refunds the existing debt and does not either extend the maturity of the existing bonds nor generate any bond proceeds for additional projects. Final maturity on these bonds will be in 2017 for the Lake/Washington bonds, 2021 for Fair Oaks bonds and 2021 for Villa-Parke bonds. Given today's interest rate environment, it is estimated that the new rate for the Lake/Washington TABs will be 4.316%, the rate for Fair Oaks bonds will be 4.677%, and the new rate for Villa-Parke bonds will be 3.97%. These rates are different because of the different maturity of each of the TABs. The longer the maturity, the higher is the borrowing cost. The total net present value savings on the total refunding is estimated to be \$328,000 at an estimated net present value percentage savings of 6.765%.

### **FISCAL IMPACT:**

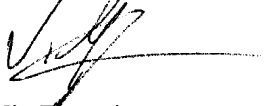
The proposed refunding will result in lower interest rates and will generate an estimated annual savings of a total of \$38,000 to Pasadena Community Development Commission. This savings amount is not reflected in PCDC's fiscal year 2004 budget.

Respectfully submitted,



CYNTHIA J. KURTZ  
Chief Executive Officer

Prepared by:



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City Treasurer

Approved by:



Ray M. Goldstone  
Director of Finance

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