

Agenda Report

TO: Pasadena Public Financing Authority

February 6, 2006

THROUGH: Finance Committee

FROM: Executive Director

SUBJECT: APPROVAL OF A RESOLUTION AUTHORIZING THE ISSUANCE OF LEASE REVENUE BONDS IN AN AMOUNT NOT TO EXCEED \$50 MILLION AND THE EXECUTION AND DELIVERY OF A LEASE, SUBLEASE, INDENTURE, REMARKETING AGREEMENT, REIMBURSEMENT AGREEMENT, BOND PURCHASE AGREEMENT AND AN OFFICIAL STATEMENT AND CERTAIN OTHER ACTIONS RELATING THERETO

RECOMMENDATION

It is recommended that the Pasadena Public Financing Authority approve a Resolution authorizing the issuance of Lease Revenue Bonds in an amount not to exceed \$50 million and the execution and delivery of a Lease, Sublease, Indenture, Remarketing Agreement, Reimbursement Agreement, Bond Purchase Agreement and an Official Statement and certain other actions relating thereto.

BACKGROUND

Rose Bowl Improvements

In January 2004, the City and the University of California, Los Angeles (UCLA) entered into a 20 year agreement to host UCLA home football games at the Rose Bowl stadium. As part of the agreement, the City is required to construct new locker rooms and a media center and have them operational no later than August 1, 2007.

The Project, which was included in the fiscal year 2006-2010 Capital Improvement Program Budget, provides for the construction of new locker rooms and a multi-purposed media center on the south end of the Rose Bowl stadium. The upgrades will improve the space layout, color, texture, plumbing, and lighting of the locker rooms and adjacent areas. The media center will handle press interviews and also provide for multi-purpose space for special events and meetings.

The Project as originally envisioned was a remodel within and around the existing locker room structure. As planning proceeded, it became clear that it would be difficult to meet a number of essential locker room program requirements in the structural confines of the South End of the Rose Bowl. More importantly, the uncertainties of a remodel project made the delivery of

completed locker rooms (within the time frame between football seasons, with no construction during the season) problematic.

The revised Project now calls for the new locker rooms to be subterranean below the existing Court of Champions apron, outside the stadium footprint with access from the existing vehicular tunnels 23A and 28A. Under the current Project design, the construction will be essentially new construction instead of a remodel, with cost and time savings as well as a product which can deliver the required program elements. The media center will be constructed under the stadium in the location of the existing locker rooms. While the proposed new location of the locker rooms is able to meet and exceed the required programmatic requirements for the Project, its greatest asset is that it allows for a continuous construction time frame without disruption to the existing stadium facilities during the 2006 football season. Accessibility to the media room will be improved with the construction of direct elevator access.

The originally estimated cost for these improvements was approximately \$12 million. The funds were to come from a combination of approximately \$10 million through the issuance of Certificates of Participation (COPs) and \$1.8 million from the Tournament of Roses (TofR). The plan was to restructure the 1991 Press Box COPs and the 1996 Rose Bowl Capital Improvement COPs to extend their maturities from the current 2011 and 2016, respectively to 2024, the final term of the UCLA lease. The City would then capitalize the debt service savings and issue additional debt in the amount of about \$10 million. This would put the annual debt service payments of the RBOC at \$2.5 million, the amount reflected in the 20 year financial model previously presented to the City Council.

Current project cost estimates are \$16.3 million for the required improvements. This will add nearly \$4.3 million onto the originally estimated COP size. Of this amount, \$1.8 million will still come from the TofR under the current agreement between the City of Pasadena and the TofR. The amount from the Tournament of Roses could increase, depending upon the success of the National Championship Game and the availability of additional cashflow to the TofR. This will not be known until the end of March 2006 after the accounting of all revenues and expenses have been completed. Applying the \$1.8 million against the new increased Project costs, the amount the City/RBOC will have to fund is still \$4.3 million higher than originally estimated. This will add approximately \$400,000 annually to the debt service. Based upon the 20 year financial model it is even more questionable whether or not the RBOC will be able to fully cover \$2.9 million per year. Without generating additional revenues or cutting costs elsewhere in the RBOC's operating/capital budget, there is a likelihood that the City's General Fund will have to cover a portion of the debt service.

City Hall Improvements

On January 24, 2005, the City Council approved the award of the general contractor contract for the City Hall Project to Clark Construction Group. Along with this approval, the City Council approved a supplemental funding plan to close the \$24,321,083 gap that existed between the amount originally estimated for the cost of the Project and the amount of Clark's bid. This plan called for a one-time additional transfer from the Light and Power Fund to the General Fund in the amount of \$9 millions, fund raising and grants in the amount of \$6 million, and a General Fund contribution in the amount of \$9,321,083. The General Fund portion was to come from the issuance of COPs at some future date when the funds were needed. Given that the City has spent most of the proceeds from the 2002 City Hall COPs and the fact that the City could lock in very attractive interest rates, staff is recommending that the City Council incorporate these funds into this financing. The debt service on this portion of the proceeds will be paid for

by the General Fund and not the RBOC. Annual debt service is projected to be \$820,000 and has been included in the General Fund forecast.

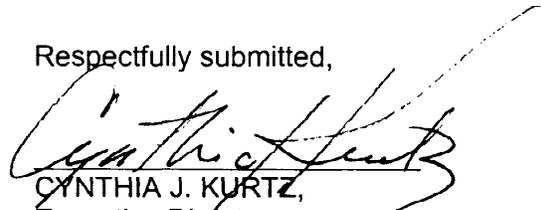
The Financing

As previously noted, the City intends to issue COPs to raise the necessary funds for both the RBOC and City Hall projects. On December 12, 2005, the City Council authorized the execution of a forward floating-to-fix interest rate swap in order to lock in a fixed rate for this transaction. The City received five competitive bids with the winning bid being 3.285%. Adding the 0.16% letter of credit fee and the 0.07% remarketing fee, the total fixed rate for this transaction will be 3.515%. The action requested of the Authority today is the approval of the remaining documents needed to complete the transaction and issue the underlying bonds. This portion of the transaction will authorize the issuance of variable rate debt. Under the complete transaction, the City will pay to the bondholders an interest rate that will be reset every seven days, along with a designated principal amount. As part of the interest rate swap transaction, the City will receive an interest payment from the Swap Provider in amount nearly comparable to the rate the City pays and the City will pay to the Swap Provider the 3.285% rate. Net, the cost to the City will be close to the 3.285%. In any given month, the effective rate may be slightly higher or lower depending upon the relationship between the City's interest rate to the bondholders and the Swap Provider's interest rate to the City.

FISCAL IMPACT

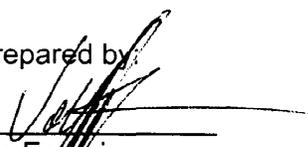
The total amount of the bonds will not exceed \$50 million which is the projected size of the COP. Of this amount, approximately \$20.1 million will cover the refunding of the 1991 and 1996 Rose Bowl COPs, \$14.6 million will cover the cost of the 2006 Rose Bowl improvements, \$9.4 million will cover the remodeling needed for the City Hall project, and the balance will cover the required reserve fund and the costs of issuance. Debt Service on the COP will be approximately \$3.7 million annually and will be proportionately paid by the RBOC and the General Fund.

Respectfully submitted,



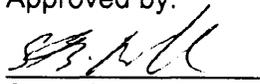
CYNTHIA J. KURTZ,
Executive Director

Prepared by:



Vic Erganian
City Treasurer

Approved by:



Steve Mermell
Acting, Authority Treasurer

RESOLUTION NO. _____

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PASADENA PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF LEASE REVENUE BONDS IN AN AMOUNT NOT TO EXCEED \$50,000,000 AND THE EXECUTION AND DELIVERY OF A LEASE, SUBLEASE, INDENTURE, REMARKETING AGREEMENT, BOND PURCHASE AGREEMENT AND AN OFFICIAL STATEMENT AND CERTAIN OTHER ACTIONS RELATING THERETO

WHEREAS, the City of Pasadena, a municipal corporation and a chartered city of the State of California (the "City"), and the Pasadena Civic Improvement Corporation, a nonprofit public benefit corporation (the "Corporation"), previously entered into an Amended and Restated Lease (the "1996 Lease"), pursuant to which the City leased certain land and improvements thereon consisting primarily of the Rose Bowl Stadium (the "Leased Property") to the Corporation; and

WHEREAS, the City and the Corporation previously entered into an Amended and Restated Sublease (the "1996 Sublease"), pursuant to which the Corporation subleased the Leased Property to the City; and

WHEREAS, the City, the Corporation and BNY Western Trust Company, as trustee (the "1996 Trustee"), previously entered into an Amended and Restated Trust Agreement (the "1996 Trust Agreement"), pursuant to which the 1996 Trustee executed and delivered the City of Pasadena 1996 Certificates of Participation (Additional Rose Bowl Improvements Project) (the "1996 Certificates"), which, together with the City of Pasadena 1991 Variable Rate Demand Certificates of Participation (Rose Bowl Improvements Projects) (the "1991 Certificates" and, together with the 1996 Certificates, the "Certificates"), represent undivided, proportionate interests in the base rental payments made by the City under the 1996 Sublease; and

WHEREAS, the Pasadena Public Financing Authority, a joint exercise of powers authority (the "Authority"), desires to assist the City with, *inter alia*, (i) prepaying the Certificates, (ii) financing additional improvements to the Rose Bowl Stadium and (iii) financing improvements to the City's City Hall (collectively, the "Project"); and

WHEREAS, upon making provision for the prepayment of the Certificates in accordance with Article X of the 1996 Trust Agreement, the 1996 Lease, 1996 Sublease and 1996 Trust Agreement will be terminated; and

WHEREAS, pursuant to the provisions of Article 4 of the Joint Exercise of Powers Act, comprising Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State ("Article 11") and the Joint Exercise of Powers Agreement, dated April 25, 2000, by and between the City and the Pasadena Community Development

Commission, the Authority is authorized to issue bonds to finance and refinance public capital improvements such as the Project; and

WHEREAS, the Authority proposes to enter into a Lease with the City (the "Lease"), pursuant to which the City will lease the Leased Property to the Authority; and

WHEREAS, the Authority proposes to enter into a Sublease with the City (the "Sublease"), pursuant to which the Authority will sublease the Leased Property to the City and the City will make base rental payments ("Base Rental Payments") to the Authority; and

WHEREAS, pursuant to a Bond Indenture (the "Indenture"), between the Authority and Deutsche Bank National Trust Company, N.A., as trustee (the "Trustee"), the Authority will assign its rights to receive the Base Rental Payments to the Trustee and the Authority will issue the bonds, which bonds will be designated generally as the "Pasadena Public Financing Authority Variable Rate Demand Lease Revenue Bonds (Rose Bowl Refinancing and Improvement Projects), Series 2006" (the "Bonds"), or such other name or names as may be designated pursuant to the Indenture; and

WHEREAS, the Bonds will be supported by an irrevocable, direct-pay letter of credit (the "Letter of Credit") issued by Citibank, N.A. (the "Credit Provider"), which Letter of Credit will be issued pursuant to a Letter of Credit Reimbursement Agreement (the "Reimbursement Agreement"), by and between the Credit Provider and the City; and

WHEREAS, pursuant to a Bond Purchase Agreement (the "Purchase Agreement") among Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter"), the Authority and the City, the Bonds are to be sold to the Underwriter; and

WHEREAS, the Bonds will be offered for sale by the Underwriter to investors through an official statement (the "Official Statement"); and

WHEREAS, Bonds tendered or deemed tendered for purchase pursuant to the Indenture are to be remarketed pursuant to a Remarketing Agreement (the "Remarketing Agreement") between the Authority and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as remarketing agent (the "Remarketing Agent");

WHEREAS, there have been presented to this meeting proposed forms of the following documents and agreements:

- (1) The Lease;
- (2) The Sublease;
- (3) The Indenture;
- (4) The Purchase Agreement;
- (5) The Remarketing Agreement; and

(6) The Official Statement.

NOW, THEREFORE, BE IT RESOLVED, ORDERED AND FOUND by the Board of Directors of the Pasadena Public Financing Authority, that:

Section 1. The form of Lease presented to this meeting, and on file with the Secretary, is hereby approved. Each of the Executive Director and the Acting Treasurer, acting singly, is hereby authorized and directed for, on behalf of, and in the name of the Authority, to execute and deliver the Lease in substantially said form, with such changes, insertions and deletions as may be consistent with this Resolution and as may be approved by the officer executing the Lease, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. The form of Sublease presented to this meeting, and on file with the Secretary, is hereby approved. Each of the Executive Director and the Acting Treasurer, acting singly, is hereby authorized and directed for, on behalf of, and in the name of the Authority, to execute and deliver the Sublease in substantially said form, with such changes, insertions and deletions as may be consistent with this Resolution and as may be approved by the officer executing the Sublease, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. Pursuant to the Article 4 of the Act, Article 11 and the Indenture, the Authority is hereby authorized to issue its lease revenue bonds designated generally as the "Pasadena Public Financing Authority Variable Rate Demand Lease Revenue Bonds (Rose Bowl Refinancing and Improvement Projects), Series 2006," in one or more series and in an aggregate principal amount of not to exceed \$50,000,000. The Bonds shall be issued and secured in accordance with the terms of, and shall be in the form set forth in, the Indenture as finally executed in accordance with Section 4.

Section 4. The form of Indenture presented to this meeting, and on file with the Secretary, is hereby approved. Each of the Executive Director and the Acting Treasurer, acting singly, is hereby authorized and directed for, on behalf of, and in the name of the Authority, to execute and deliver the Indenture in substantially said form, with such changes, insertions and deletions as may be consistent with this Resolution and as may be approved by the officer executing the Indenture, such approval to be conclusively evidenced by the execution and delivery thereof. The dated date, maturity date or dates, initial interest rate mode and terms of redemption of the Bonds shall be as provided in the Indenture as presented to this meeting.

Section 5. The Bonds will be special obligations of the Authority, payable, as to principal and interest, and as to any premiums upon the redemption thereof, solely from Base Rental Payments and the other assets pledged therefor under the Indenture. The purchase price of the Bonds will be payable solely from the proceeds of the remarketing of the Bonds and amounts made available under the Letter of Credit and any substitute credit facility delivered in accordance with the Indenture. The Bonds will not constitute obligations, nor evidence any indebtedness of the City or the State of California (the "State"), or any political subdivision thereof (other than the special obligation of the Authority, as provided in the Indenture), and

neither the faith and credit nor the taxing power of the Authority, the City or the State, or any political subdivision thereof, is pledged to the payment of the Bonds.

Section 6. The form of Purchase Agreement presented to this meeting, and on file with the Secretary, is hereby approved. Each of the Executive Director and the Acting Treasurer, acting singly, is hereby authorized and directed for, on behalf of, and in the name of the Authority, to execute and deliver the Purchase Agreement in substantially said form, with such changes, insertions and deletions as may be consistent with this Resolution and as may be approved by the officer executing the Purchase Agreement, such approval to be conclusively evidenced by the execution and delivery thereof. The officer executing the Purchase Agreement is hereby authorized to determine the purchase price to be paid for the Bonds under the Purchase Agreement; provided, however, that the Underwriter's discount shall not be more than 1.00 percent of the initial principal amount of the Bonds.

Section 7. The form of Remarketing Agreement presented to this meeting, and on file with the Secretary, is hereby approved. Each of the Executive Director and the Acting Treasurer, acting singly, is hereby authorized and directed for, on behalf of, and in the name of the Authority, to execute and deliver the Remarketing Agreement in substantially said form, with such changes, insertions and deletions as may be consistent with this Resolution and as may be approved by the officer executing the Remarketing Agreement, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the fee paid to the Remarketing Agent under the Remarketing Agreement in each year shall not exceed 0.15 percent of the principal amount of the Bonds outstanding at the commencement of such year.

Section 8. The form of Official Statement presented to this meeting, and on file with the Secretary, is hereby approved. Each of the Executive Director and the Acting Treasurer, acting singly, is hereby authorized and directed for, on behalf of, and in the name of the Authority, to execute and deliver the Official Statement (and any amendment or supplement thereto contemplated by the Purchase Agreement), in substantially said form, with such changes, insertions and deletions as may be approved by the officer executing the Official Statement, such approval to be conclusively evidenced by the execution and delivery thereof. The official executing the Official Statement is further authorized and directed to deem the Official Statement final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

Section 9. The Underwriter is hereby authorized to distribute the Official Statement, as executed on behalf of the Authority as herein provided, to persons who may be interested in the purchase of Bonds.

Section 10. The Bonds shall be executed by the manual or facsimile signature of the Chairperson or Vice Chairperson of the Authority and attested by the manual or facsimile signature of the Secretary or Assistant Secretary of the Authority, in the form set forth and otherwise in accordance with the Indenture, as finally executed.

Section 11. The Bonds, when executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver

the Bonds, when duly executed and authenticated, to the purchaser or purchasers thereof in accordance with the written instructions executed on behalf of the Authority by the Chairperson, Vice Chairperson, Executive Director or Acting Treasurer of the Authority, which person, acting singly, is authorized and directed, for and on behalf of the Authority, to execute said instructions and deliver the Bonds to the Trustee. Such instructions shall provide for the delivery of the Bonds to the purchaser or purchasers thereof, upon payment of the purchase price thereof to or as directed by the Authority.

Section 12. The Executive Director, Acting Treasurer, Secretary and all other appropriate officers of the Authority are hereby authorized and directed, acting singly, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the transactions contemplated by this Resolution and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution. The foregoing authorization includes, but is in no way limited to, the execution and delivery of any tax certificate required by the Indenture or the Sublease and the execution and delivery of documents required by a securities depository for the Bonds. Any actions heretofore taken by such officers in connection therewith are hereby ratified, confirmed and approved.

Section 13. The Secretary is hereby authorized and directed to attest the signature of the Executive Director, the Acting Treasurer or such other Authority officers as may be required or appropriate in connection with the execution and delivery of the agreements and documents contemplated by this Resolution or any related document or instrument.

Section 14. This Resolution shall take effect immediately upon its adoption.

PASSED by the Board of Directors of the Pasadena Public Financing Authority at a regular meeting this 6th day of February, 2006, by the following vote:

AYES:

NOES:

ABSENT:

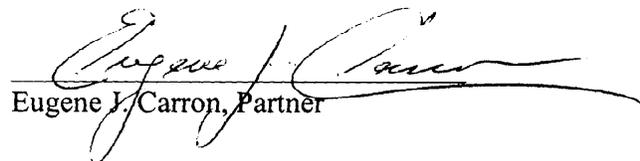
Secretary

APPROVED AS TO FORM:


City Attorney

APPROVED AS TO FORM:

ORRICK, HERRINGTON & SUTCLIFFE LLP
per


Eugene J. Carron, Partner

**ADDITIONAL BACKGROUND MATERIALS
FOR ITEMS 5.B.1, 6.C., AND RELATED ITEM 9.B.,
RESOLUTION AUTHORIZING THE ISSUANCE
OF LEASE REVENUE BONDS, ARE AVAILABLE
FOR REVIEW IN THE CITY CLERK'S OFFICE, AT
THE PASADENA MAIN LIBRARY,
AND ON THE INTERNET**