

Agenda Report

TO: CITY COUNCIL

September 14, 2009

THROUGH: FINANCE COMMITTEE

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, 2009 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 \$45,000,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF PASADENA ELECTRIC REVENUE REFUNDING BONDS, 2009 SERIES, PAYABLE OUT OF THE LIGHT AND POWER FUND, APPROVING THE EXECUTION AND DELIVERY OF A FIFTH 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 adopt:

1. A Resolution authorizing the invitation of bids for the purchase of Electric Revenue Refunding Bonds, 2009 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 first reading of "**AN ORDINANCE OF THE CITY OF PASADENA AUTHORIZING THE ISSUANCE BY THE CITY OF NOT TO EXCEED \$45,000,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF PASADENA ELECTRIC REVENUE REFUNDING BONDS, 2009 SERIES, PAYABLE OUT OF THE LIGHT AND POWER FUND, AND APPROVING THE EXECUTION AND DELIVERY OF A FIFTH SUPPLEMENT TO ELECTRIC REVENUE BOND FISCAL AGENT AGREEMENT, AN ESCROW AGREEMENT AND A CONTINUING DISCLOSURE AGREEMENT IN CONNECTION THEREWITH**".

BACKGROUND

In 1998, the City issued \$70,635,000 aggregate principal amount of its Electric Revenue Refunding Bonds, 1998 Series for the purpose of providing moneys to advance refund the City's then outstanding Electric Works Revenue Bonds, 1990 Series, refund the outstanding Electric Works Revenue Bonds, 1992 Series, refund its outstanding Electric Works Revenue Bonds, 1993 Series, refund its 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 amount of 1998 Bonds is \$43,475,000 with interest rates ranging from 4.5% to 4.9%. Current market yields for Electric System bonds for the same maturities range from approximately 1.45% to 4.62%. Since the 1998 Bonds can be optionally redeemed at 100% at anytime by the City, the difference in the fixed interest rates being paid on the 1998 Bonds and the current market yields presents an opportunity to generate savings by way of refunding of a portion of the 1998 Bonds. In today's interest rate environment, it is economical to refund \$36.49 of the outstanding \$43.475 million, however, if interest rates further decline, the refunding of more of the outstanding bonds could become economical. Consequently, staff is requesting issue authorization of up to \$45 million to provide the maximum flexibility to take advantage of market conditions. Staff along with the Financial Advisor will reevaluate the economics of the refunding and determine the most economical amount of the outstanding bonds to refund depending on market conditions at the time of the bond sale.

The issuance of the proposed 2009 refunding bonds will produce significant debt service savings which can be obtained upfront. The 2009 Bonds will be issued with fixed interest rates and sold on a competitive basis with the same maturities as the existing 1998 bonds. The option to insure the bonds will be given to the bidders who will compete based on the lowest True Interest Cost on the 2009 Bonds. Based on current market conditions and the proposed bond structure, the anticipated savings are expected to be up to \$600,000 in FY 2010 and

\$1,380,000 in FY 2011 resulting in net present value savings of \$1,975,000 or 5.41% of refunded principal.

The Resolution and Ordinance authorize the issuance of, and approve the various documents in connection with the issuance of the Electric Revenue Refunding Bonds, series 2009, with a principal amount not to exceed \$45 million and at a true interest cost not to exceed 4.75%. The resolution also appoints Fulbright & Jaworski, LLP as bond and disclosure counsel, and Public Resources Advisory Group as Financial Advisor.

FISCAL IMPACT

In today's interest rate environment, it is anticipated that the Electric Fund will realize up to \$600,000 savings in FY2010 and \$1,375,000 in FY2011 with no net increase in debt service cost for the remaining years. The actual savings will be dependent on the market conditions at the time the actual bidding is completed on the scheduled November 2, 2009 date. It is also estimated for the bonds to have a term of 12 years with final maturity in FY 2021. The all in true interest cost is estimated at 3.75% 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.

Respectfully submitted,



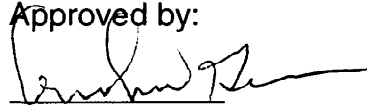
Michael Beck
City Manager

Prepared by:



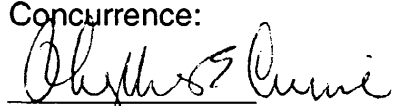
Vic Erganian
Deputy Director of Finance/City Treasurer

Approved by:



Andrew Green
Director of Finance

Concurrence:



Phyllis Currie
General Manager, Water and Power

Exhibit A

SOURCES AND USES OF FUNDS

City of Pasadena, California
Electric Revenue Bonds, 2009 Series
*** Preliminary Estimated Rates as of August 20, 2009 ***

Dated Date 11/24/2009
Delivery Date 11/24/2009

Sources:

Bond Proceeds:	
Par Amount	35,815,000.00
Premium	1,701,284.25
	<hr/>
	37,516,284.25

Uses:

Refunding Escrow Deposits:	
Cash Deposit	37,084,051.56
Delivery Date Expenses:	
Cost of Issuance	250,000.00
Underwriter's Discount	<hr/> 179,075.00
	429,075.00
Other Uses of Funds:	
Additional Proceeds	3,157.69
	<hr/>
	37,516,284.25

Note: DSRF calculated assuming full value of surety of \$5,662,619.95