

Jomsky, Mark

From: Darryl Dunn <ddunn@rosebowlstadium.com>
Sent: Monday, October 22, 2018 4:15 PM
To: Mermell, Steve; Hawkesworth, Matthew; Jomsky, Mark
Cc: Fuentes, Theresa; Darryl Dunn
Subject: RE: for finance committee and council 10/22/18

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Mayor and Members of the City Council:

On September 21st City Manager, Steve Mermell and Finance Director, Matt Hawkesworth along with the City's Financial Advisors made a presentation to the RBOC Finance Committee regarding the need to refinance the Rose Bowl's outstanding debt as a result of Union Bank's unilateral exit from the program and termination of the associated swap agreement. The presentation included the proposed structuring of a new financing and explored several options. On October 4, 2018, this information was presented to the full RBOC as an information item.

The RBOC Board takes its fiduciary obligations seriously and understands the necessity to refinance this debt. The RBOC is in agreement with the proposed structure and swap termination. While the proposed structure reduces risk as well as a significant spike in debt service of \$1.9 million that was to occur in 2024, over the near term, 2019-2024, it will result in \$1.57 million in additional debt service costs. This near-term increase is on top of debt service that had already grown a total of \$2.6 million due to the variable rate nature of the existing debt. (for illustrative purposes the bond debt service for fy20 was previously going to be approximately \$11.0 million and is now projected to be \$11.4 million)

As a consequence, the RBOC's cash flow over the next five years will be significantly challenged as it seeks to cover the cost of operations as well as the previously unplanned for increase in debt service. Every effort will be made to cover these costs, but it is possible that there will be a need to draw down fund balance (currently projected at \$10.5 million) in order to meet these obligations. The RBOC Board believes it is important to communicate this information to the City Council. The RBOC intends to provide an overall financial update to the Council in the near future.

Darryl Dunn

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