

Agenda Report

August 8, 2022

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Department of Finance

**SUBJECT: LOAN TO PASADENA CENTER OPERATING COMPANY
(PCOC) TO FUND CAPITAL IMPROVEMENT PROJECTS**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
2. Approve a loan to the PCOC for a term of 10-years in an amount not to exceed \$2.5 million to be used for future PCOC capital improvement needs, to be repaid from PCOC's operating revenues as further described in this Agenda Report.

BACKGROUND:

Historically, PCOC has had several loans from the City to pay for major renovations and upgrades to the Pasadena Convention Center, Civic Auditorium, and Ice Skating Center. In 1999, the City provided PCOC with a 10-year \$1.4 million loan for the renovation of the Conference Center. The loan was paid in full in 2019. Similarly in 2009 and during the construction of the Convention Center, PCOC entered into a \$3 million loan agreement with the California Energy Commission to upgrade the HVAC system that allowed the new center to achieve LEED Gold Certification. This specific loan will be paid off in December 2022. Also in 2011, the City provided PCOC with another 10-year loan to build the Pasadena Skating Center and the loan was satisfied and paid in full in 2021. These short-to-intermediate financing arrangements with the City allowed PCOC

to achieve its capital improvement objectives without the need for expensive capital borrowings in the financial market or from private banks.

Proceeds of the recommended loan will be used to help fund major capital improvement project needs including waterproofing and painting of the Civic Auditorium, interior painting, and other needs as they arise. The Civic Auditorium turns 91-years old in 2023 and needs many upgrades. This item was approved by PCOC Board on June 16, 2022.


COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

FISCAL IMPACT:

The loan will be structured as a 10-year borrowing and bear an interest rate equal to the current ten-year Treasury yield, which is 3% as of July 21, 2022. It is recommended that the loan be funded from the City's pooled cash and the interest received from the loan will be credited to the City's pooled cash account and distributed to all the participating funds. The annual principal and interest payment on the loan is estimated at \$293,076.27 and payable from PCOC's operating revenues beginning the first anniversary of the loan funding date in accordance to the attached debt service schedule. There will be no prepayment penalties and PCOC will be able to pay off the balance of the loan at any time in the future from its operating revenues or from proceeds of future bond issues.

Respectfully submitted,


MATTHEW E. HAWKESWORTH
Director of Finance

Prepared by:


Vic Erganian
Deputy Director of Finance/City Treasurer

Approved by:


CYNTHIA J. KURTZ
Interim City Manager