

Agenda Report

May 23, 2022

TO: Honorable Mayor and City Council/Pasadena Public Financing Authority
FROM: Department of Finance
THROUGH: Finance Committee
SUBJECT: **JOINT ACTION: EXTENSION OF THE STANDBY BOND PURCHASE AGREEMENT (SBPA) WITH BANK OF THE WEST RELATED TO THE PASEO COLORADO BONDS**

RECOMMENDATION:

It is recommended that the City Council and the Pasadena Public Financing Authority (PPFA):

1. Find that the proposed action is not 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;
2. Approve the Second Amendment to Standby Bond Purchase Agreement (SBPA) and approve the Second Amended and Restated Fee Agreement by and among the Pasadena Public Financing Authority, the City of Pasadena, and Bank of the West; authorize the City Manager or the Director of Finance to execute and deliver the Second Amendment to the SBPA and the Second Restated Fee Agreement; and
3. To the extent that the proposed amendment of the SBPA could be considered subject to a new competitive selection process, grant the proposed amendment an exemption from the competitive selection process of the Competitive Bidding and Purchasing Ordinance, Pasadena Municipal Code Chapter 4.08, pursuant to Section 4.08.049(B) contracts for which the City's best interests are served.

BACKGROUND:

In 2000, the City sold \$32.385 million bonds to finance certain improvements to the parking facilities and public property adjacent to or beneath the then Plaza Pasadena shopping center and to finance the acquisition of the right, title, and interest of the developer under a prior lease between the developer and Pasadena Community Development Commission. The 2000 Paseo Colorado bonds were initially issued with an insurance policy from MBIA. In 2008, the City refunded the bonds and reissued them with no insurance.

The bonds are taxable and structured as variable rate demand lease revenue bonds supported by a standby bond purchase agreement, the liquidity facility, with Bank of the West. There are currently \$21.2 million outstanding bonds with a final maturity in June 2038.

Variable Rate Demand Bonds or VRDBs are long-term bonds that carry a short-term interest rate that is reset every seven days. VRDBs have a "put" feature and are backed by a liquidity facility in the form of a standby bond purchase agreement or a bank letter of credit. VRDBs are qualified investments for Rule 2a-7 money market funds and are typically sold to money market funds, which are required by the Securities and Exchange Commission (SEC) regulation to purchase securities rated in the AA category or higher.

The existing Standby Bond Purchase Agreement has an expiration date of September 2022. The City has negotiated an extension of the Standby Bond Purchase Agreement with Bank of the West for a term of three years at an annual fee of 0.25%, the same rate currently paid, or 0.20% if the City deposits \$5 million in a collateralized money market account with the bank. Staff requested a bid from the City's main relationship bank, as well, and received a rate higher than the one offered by the Bank of the West. Staff also consulted with the City's municipal adviser who confirmed that the offered rate by the Bank of the West is on the lowest range of similar type of liquidity facilities.

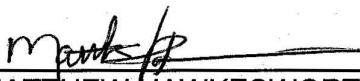
COUNCIL POLICY CONSIDERATION:

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

FISCAL IMPACT:

The one-time cost of extending the Standby Bond Purchase Agreement with Bank of the West will be capped at \$7,500. Funding for this action will be addressed by the utilization of existing budgeted appropriations in account 40724031-814900. No additional indirect or support costs will be required.

Respectfully submitted,



MATTHEW HAWKESWORTH
Director of Finance
PPFA Treasurer

Prepared by:



Vic Erganian
Deputy Director of Finance/City Treasurer

Approved by:



CYNTHIA J. KURTZ
Interim City Manager
Interim PPFA Executive Director

Attachments: (2)

- A) Second Amended and Restated Fee Agreement
- B) Second Amendment to Standby Bond Purchase Agreement