



FINANCE DEPARTMENT

**REFUNDING BUILD AMERICA BONDS  
LEASE REVENUE REFUNDING BONDS  
(ROSE BOWL RENOVATION PROJECT)  
SERIES 2024**

Vic Erganian  
Deputy Finance Director/City Treasurer  
Finance Committee and City Council

Item 1 (Finance Audit Committee); Item 21 (City Council)





# Recommendation

## FINANCE DEPARTMENT

- Find that the proposed action is not a project subject to California Environmental Quality Act (CEQA) and as such no environmental document pursuant to CEQA is required for the project
- Adopt a resolution of the City Council of City of Pasadena and the Board of Directors of the Pasadena Public Financing Authority authorizing the issuance of lease revenue refunding bonds in an aggregate amount not to exceed \$130 million and the execution and delivery of a third amendment to amended and restated lease, a fourth amendment to amended and restated sublease, bond indenture, bond purchase agreement, preliminary official statement and final official statement in connection therewith, and authorizing the taking of certain actions relating thereto.



# Background

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- In 2010, the City issued four series of lease revenue bonds in an aggregate amount of \$155,873,265. The proceeds of the bonds were used to finance the renovation and improvements of the Rose Bowl Stadium.
- The series 2010B were issued as Build America Bonds (BABs).
  - > Do not have an option to call the bonds at par
  - > Have the option to call the bonds at a Make Whole call price or using an Extraordinary Optional Redemption provision (EOR) only under certain circumstances.



# Background

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- BABs were issued as taxable fixed rate bonds whereby the U.S. Treasury rebates the City 35% of the interest portion due on the bonds semi-annually for the life of the bonds.
- Beginning 2013, the US Government began a sequestration process that reduced the amount of the subsidies due to the City by a cumulative \$2 million to date.



# Estimated Impact of Sequestration

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- Since FY 2013, sequestration has resulted in lower BAB subsidy payments by an estimated \$2.0M to date

<b>Estimated Impact of Sequestration (Reduced Subsidy Payments)</b>				
<b>Fiscal Year</b>	<b>Annual Subsidy</b>	<b>Payments Net of Original 35% Subsidy</b>	<b>Payments Net of Revised Subsidy</b>	<b>Estimated Impact of Reduction</b>
2011	35.0%	\$1,346,448	\$1,346,448	\$0
2012	35.0%	4,946,136	4,946,136	0
2013	32.0%	4,946,136	5,061,989	(115,854)
2014	32.5%	4,946,136	5,157,868	(211,733)
2015	32.4%	4,946,136	5,139,225	(193,090)
2016	32.6%	4,946,136	5,133,898	(187,763)
2017	32.6%	4,946,136	5,128,572	(182,436)
2018	32.7%	4,946,136	5,125,909	(179,773)
2019	32.8%	4,946,136	5,116,587	(170,451)
2020	32.9%	4,946,136	5,107,265	(161,130)
2021	33.0%	4,946,136	5,100,607	(154,472)
2022	33.0%	4,946,136	5,097,944	(151,808)
2023	33.0%	4,946,136	5,097,944	(151,808)
2024	33.0%	4,946,136	5,097,944	(151,808)
<b>Totals</b>		<b>\$65,646,210</b>	<b>\$67,658,336</b>	<b>(\$2,012,126)</b>



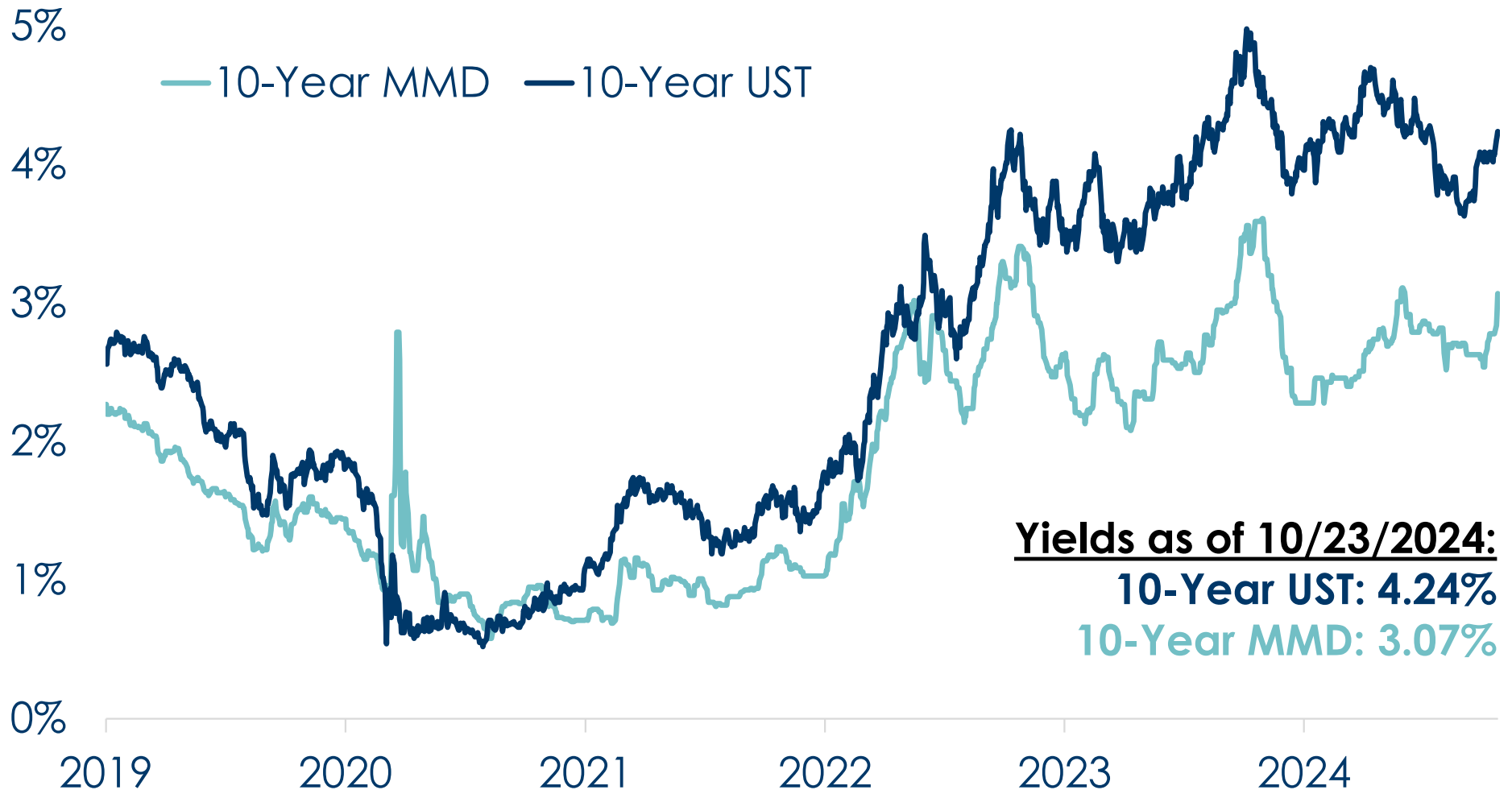
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- The City is planning to issue the 2024 Bonds to refund the 2010B Build America Bonds (BABs), outstanding in the amount of \$106,660,000, for the following purposes:
  1. Eliminate exposure to future BABs subsidy sequestration
  2. Incorporate future optionality for a refunding by issuing traditional tax-exempt bonds with a conventional par call
  3. Restructure and create level annual debt service payments to provide future budgetary cash flow capacity for Rose Bowl capital improvements
  4. Maintain community relations by not increasing the number of events at the Rose Bowl Stadium to meet ascending debt payments



# 10-Year AAA MMD and US Treasury Yields Since 2019

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Source: Bloomberg, as of October 23, 2024.





# Calculation of the Redemption Premium

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- Make Whole (MW) redemption price: sum of the present value of principal and interest payments to be redeemed, discounted at Treasury Rate + 35 basis points (+0.35%)
- Extraordinary Optional Redemption (EOR) price: sum of the present value of principal and interest payments to be redeemed, discounted at Treasury Rate + 100 basis points (+1.00%)
- Treasury Rate (i.e. discount rate): yield to maturity as of such redemption date of US Treasury securities with a constant maturity
  - > Higher Treasury Rate will produce a lower redemption price
- Term Bonds 2034 and 2043 of the 2010B BABs are subject to MW and EOR

*Definitions are paraphrased. See the 2010 Official Statement for detail and full definitions.*





# Estimated Redemption Premiums for the 2010B BABs

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- Estimated MW Redemption Premium: **\$24,124,533**
- Estimated EOR Redemption Premium: **\$16,530,481**

### MW Redemption Price Calculation

	2034 Term	2043 Term	Total
Applicable Treasury Rate	10-year	20-year	
Par Amount Called (A)	\$9,745,000	\$96,915,000	\$106,660,000
Redemption Price / Sum of PV (B)	11,011,307	112,179,174	123,190,481
<b>Redemption Premium (B-A)</b>	<b>1,770,625</b>	<b>22,353,908</b>	<b>24,124,533</b>
MW Call Price (B/A)	\$118.17	\$123.07	

### EOR Redemption Price Calculation

	2034 Term	2043 Term	Total
Applicable Treasury Rate	10-year	20-year	
Par Amount Called (A)	\$9,745,000	\$96,915,000	\$106,660,000
Redemption Price / Sum of PV (B)	11,515,625	119,268,908	130,784,533
<b>Redemption Premium (B-A)</b>	<b>1,266,307</b>	<b>15,264,174</b>	<b>16,530,481</b>
EOR Call Price (B/A)	\$112.99	\$115.75	

Source of Treasury Rate: H15 website as of October 21, 2024.  
All numbers are preliminary and subject to change.



# Existing Rose Bowl Debt Profile

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### Existing Rose Bowl Debt Profile

Fiscal Year	2010 Bonds <sup>1,2</sup>	2016A Bonds	2018A Bonds	2018B Bonds	Existing Payments	% Increase
2025	\$5,069,185	\$5,371,000	\$1,529,250	\$1,064,531	\$13,033,966	--
2026	5,069,185	5,560,750	1,529,250	1,277,788	13,436,973	3.1%
2027	7,164,185	3,659,250	1,529,250	1,492,463	13,845,148	3.0%
2028	11,319,185	0	1,695,000	1,236,263	14,250,448	2.9%
2029	11,589,185	0	3,036,875	0	14,626,060	2.6%
2030	11,794,185	0	3,012,750	0	14,806,935	1.2%
2031	12,004,185	0	2,985,875	0	14,990,060	1.2%
2032	12,514,185	0	2,966,000	0	15,480,185	3.3%
2033	12,734,185	0	2,942,875	0	15,677,060	1.3%
2034	13,024,015	0	2,916,500	0	15,940,515	1.7%
2035	13,247,309	0	2,886,875	0	16,134,184	1.2%
2036	13,473,796	0	2,868,625	0	16,342,421	1.3%
2037	13,704,635	0	2,841,500	0	16,546,135	1.2%
2038	13,938,149	0	2,810,625	0	16,748,774	1.2%
2039	14,242,662	0	2,776,000	0	17,018,662	1.6%
2040	14,493,147	0	2,747,375	0	17,240,522	1.3%
2041	14,745,322	0	2,719,375	0	17,464,697	1.3%
2042	15,002,270	0	2,691,750	0	17,694,020	1.3%
2043	15,261,838	0	2,649,625	0	17,911,463	1.2%
<b>Totals</b>	<b>\$230,390,808</b>	<b>\$14,591,000</b>	<b>\$49,135,375</b>	<b>\$5,071,045</b>	<b>\$299,188,229</b>	

<sup>1</sup>Nets out reserve fund earnings, which are estimated at \$333,250 per year.

<sup>2</sup>Assumes that the current subsidy payments of 33.005% (BABs) and 42.435% (RZEDBs) are received through maturity.



# Impact of Refunding on Rose Bowl Debt Profile

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### Impact of Refunding on Rose Bowl Debt Profile

Fiscal Year	2010A CABs	2010D RZEDBs	2016A Bonds	2018A Bonds	2018B Bonds	Proposed Restructuring <sup>1</sup>	Proposed Payments	% Increase
2025	\$0	\$304,491	\$5,371,000	\$1,529,250	\$1,064,531	\$2,307,465	\$12,959,084	
2026	0	304,491	5,560,750	1,529,250	1,277,788	4,625,000	13,297,279	2.6%
2027	2,095,000	304,491	3,659,250	1,529,250	1,492,463	4,623,000	13,703,454	3.1%
2028	6,250,000	304,491	0	1,695,000	1,236,263	4,232,750	13,718,504	0.1%
2029	6,520,000	304,491	0	3,036,875	0	3,853,500	13,714,866	0.0%
2030	6,725,000	304,491	0	3,012,750	0	3,675,500	13,717,741	0.0%
2031	6,935,000	304,491	0	2,985,875	0	3,489,500	13,714,866	0.0%
2032	7,445,000	304,491	0	2,966,000	0	3,001,250	13,716,741	0.0%
2033	5,955,000	304,491	0	2,942,875	0	4,516,250	13,718,616	0.0%
2034	0	304,491	0	2,916,500	0	10,495,500	13,716,491	0.0%
2035	0	304,491	0	2,886,875	0	10,527,000	13,718,366	0.0%
2036	0	304,491	0	2,868,625	0	10,543,000	13,716,116	0.0%
2037	0	304,491	0	2,841,500	0	10,568,250	13,714,241	0.0%
2038	0	304,491	0	2,810,625	0	10,601,250	13,716,366	0.0%
2039	0	304,491	0	2,776,000	0	10,635,500	13,715,991	0.0%
2040	0	304,491	0	2,747,375	0	10,664,750	13,716,616	0.0%
2041	0	304,491	0	2,719,375	0	10,695,000	13,718,866	0.0%
2042	0	304,491	0	2,691,750	0	10,720,000	13,716,241	0.0%
2043	0	7,704,491	0	2,649,625	0	3,365,000	13,719,116	0.0%
2044	0	0	0	0	0	13,715,000	13,715,000	0.0%
2045	0	0	0	0	0	13,715,000	13,715,000	0.0%
2046	0	0	0	0	0	13,715,000	13,715,000	0.0%
2047	0	0	0	0	0	13,715,000	13,715,000	0.0%
2048	0	0	0	0	0	13,715,000	13,715,000	0.0%
2049	0	0	0	0	0	7,510,000	7,510,000	-45.2%
<b>Totals</b>	<b>\$41,925,000</b>	<b>\$13,185,329</b>	<b>\$14,591,000</b>	<b>\$49,135,375</b>	<b>\$5,071,045</b>	<b>\$209,224,465</b>	<b>\$335,514,561</b>	

**Targets level annual payments of \$13.7M from FYs 2027-2048**

**Level payments eliminate annual increases**

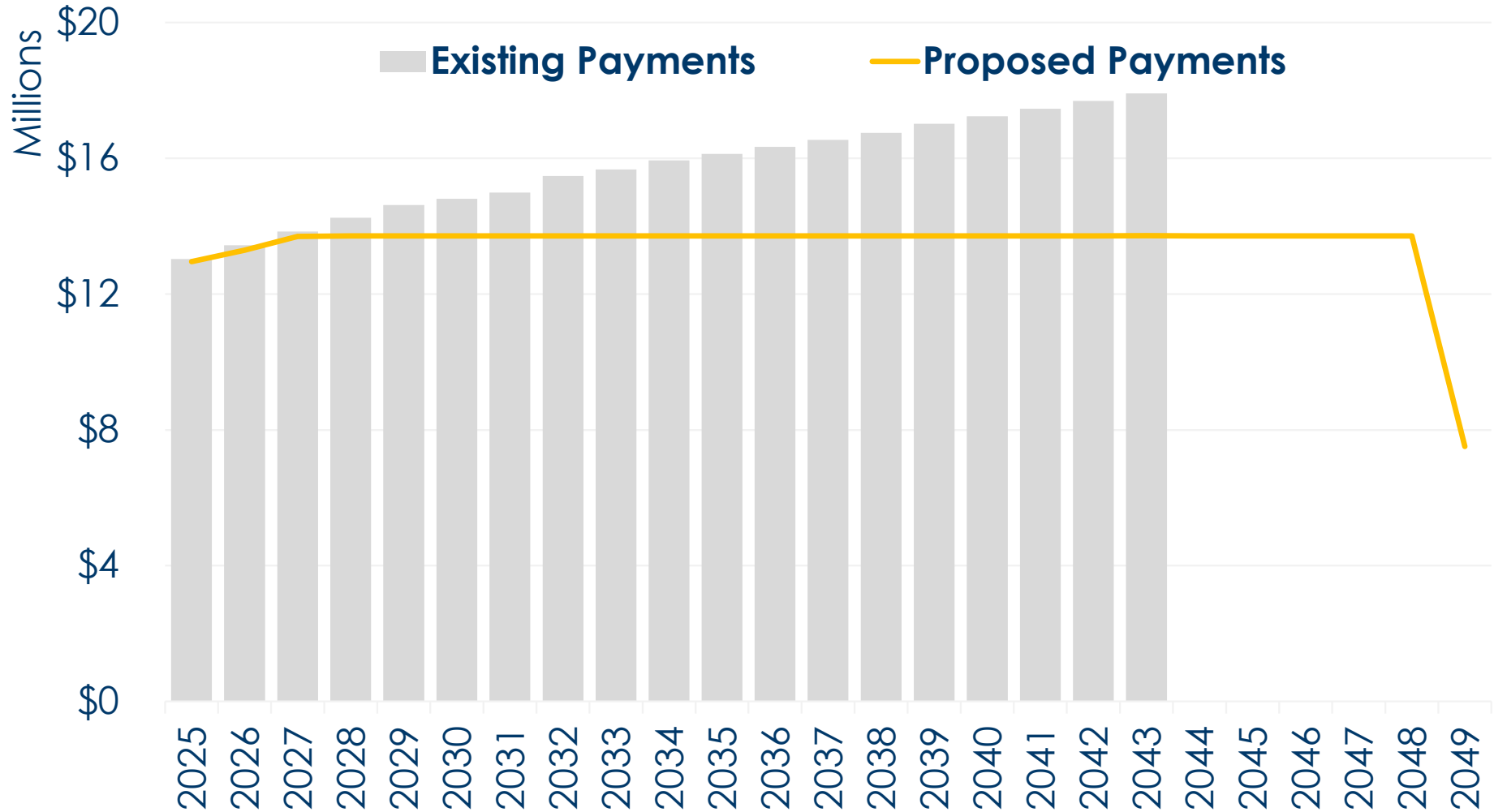
**Extension of term by six years from FY 2043 to FY 2049**

<sup>1</sup>Includes the September 1, 2024 debt service payment (net of subsidy and reserve fund earnings) on the 2010B BABs in FY 2025. All numbers are preliminary and subject to change. Based on market conditions as of October 23, 2024.



# Visual Comparison of Existing and Proposed Aggregate Payments

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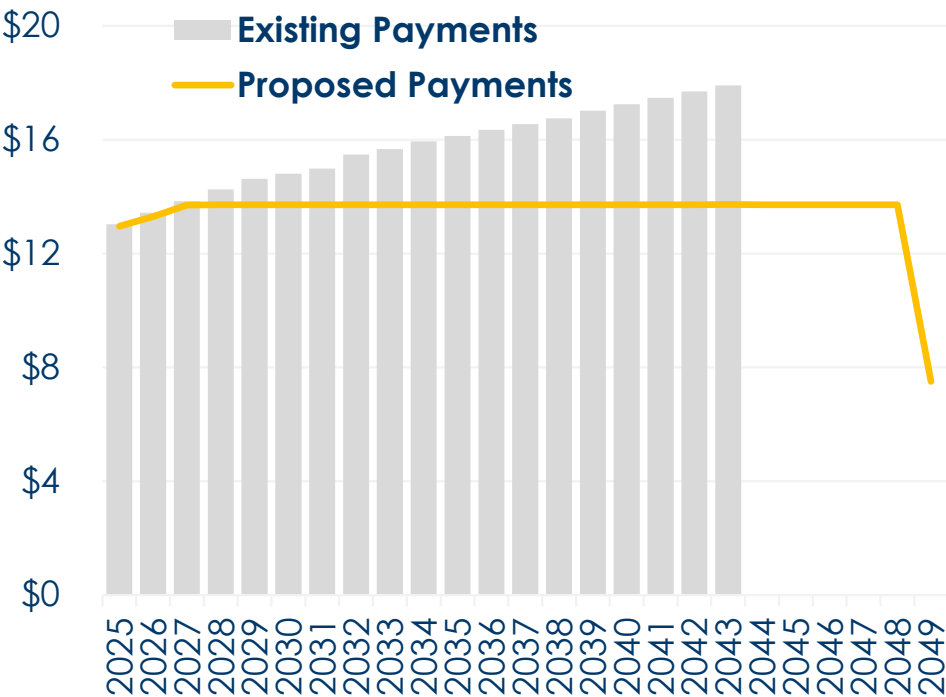
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# Detailed Comparison of Existing and Proposed Aggregate Payments

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- Change relative to Existing Payments:
  - > Nominal payments: +\$36.3M
  - > PV of payments: +\$5.6M



<sup>1</sup> Nets out current subsidy and reserve earnings (estimated at \$333,250 per year).  
<sup>2</sup> \$ change discounted by the bond (arb) yield of the Proposed Restructuring Bonds. PV \$ Change is higher than Nominal \$ Change in earlier years due to the timing of the payments.  
 All numbers are preliminary and subject to change. Based on market conditions as of October 23, 2024.

Fiscal Year	Difference in Aggregate Payments			
	Existing Payments <sup>1</sup>	Proposed Payments	Nominal \$ Change	PV \$ Change <sup>2</sup>
2025	\$13,033,966	\$12,959,084	(\$74,882)	(\$97,951)
2026	13,436,973	13,297,279	(139,694)	(193,668)
2027	13,845,148	13,703,454	(141,694)	(188,098)
2028	14,250,448	13,718,504	(531,944)	(517,153)
2029	14,626,060	13,714,866	(911,194)	(809,443)
2030	14,806,935	13,717,741	(1,089,194)	(917,208)
2031	14,990,060	13,714,866	(1,275,194)	(1,020,690)
2032	15,480,185	13,716,741	(1,763,444)	(1,333,888)
2033	15,677,060	13,718,616	(1,958,444)	(1,427,389)
2034	15,940,515	13,716,491	(2,224,024)	(1,590,214)
2035	16,134,184	13,718,366	(2,415,818)	(1,648,887)
2036	16,342,421	13,716,116	(2,626,305)	(1,711,384)
2037	16,546,135	13,714,241	(2,831,894)	(1,762,969)
2038	16,748,774	13,716,366	(3,032,408)	(1,804,448)
2039	17,018,663	13,715,991	(3,302,672)	(1,877,585)
2040	17,240,522	13,716,616	(3,523,906)	(1,915,765)
2041	17,464,697	13,718,866	(3,745,831)	(1,946,868)
2042	17,694,020	13,716,241	(3,977,779)	(1,975,041)
2043	17,911,463	13,719,116	(4,192,347)	(1,953,499)
2044	0	13,715,000	13,715,000	6,011,004
2045	0	13,715,000	13,715,000	5,762,408
2046	0	13,715,000	13,715,000	5,524,093
2047	0	13,715,000	13,715,000	5,295,635
2048	0	13,715,000	13,715,000	5,076,624
2049	0	7,510,000	7,510,000	2,664,871
<b>TOTALS</b>	<b>\$299,188,229</b>	<b>\$335,514,561</b>	<b>\$36,326,332</b>	<b>\$5,642,487</b>



# Details of the Proposed Refunding Bonds

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### Amortization Schedule (Current Interest Bonds and CABs)

#### Sources of Funds

Par Amount	\$105,011,879
Premium	9,015,693
Reserve Fund	11,646,347
<b>Total Sources</b>	<b>\$125,673,918</b>

#### Use of Funds

Escrow Deposit	\$124,860,327
Costs of Issuance	551,062
Underwriter's Discount	262,530
<b>Total Uses</b>	<b>\$125,673,918</b>

**True Interest Cost 4.34%**

*Note: All costs associated with the refunding will be incorporated and paid by the bond proceeds of the 2024A Bonds. Funds are appropriated in RBOC's Fiscal Year 2025 Operating budget to pay debt service on the bonds. There is no anticipated impact to other operational programs or capital projects as a result of this action. All numbers are preliminary and subject to change. Based on market conditions as of October 23, 2024.*

Date	Current Interest Bonds		Capital Appreciation Bonds		Aggregate Debt Service
	Principal	Interest	Principal	Interest	
6/1/2025	\$550,000	\$1,757,465			\$2,307,465
6/1/2026	1,340,000	3,285,000			4,625,000
6/1/2027	1,405,000	3,218,000			4,623,000
6/1/2028	1,085,000	3,147,750			4,232,750
6/1/2029	760,000	3,093,500			3,853,500
6/1/2030	620,000	3,055,500			3,675,500
6/1/2031	465,000	3,024,500			3,489,500
6/1/2032		3,001,250			3,001,250
6/1/2033	1,515,000	3,001,250			4,516,250
6/1/2034	7,570,000	2,925,500			10,495,500
6/1/2035	7,980,000	2,547,000			10,527,000
6/1/2036	8,395,000	2,148,000			10,543,000
6/1/2037	8,840,000	1,728,250			10,568,250
6/1/2038	9,315,000	1,286,250			10,601,250
6/1/2039	9,815,000	820,500			10,635,500
6/1/2040	6,595,000	329,750	\$1,837,125	\$1,902,875	10,664,750
6/1/2041			4,946,010	5,748,990	10,695,000
6/1/2042			4,667,274	6,052,726	10,720,000
6/1/2043			1,387,087	1,977,913	3,365,000
6/1/2044			5,328,278	8,386,723	13,715,000
6/1/2045			5,015,713	8,699,287	13,715,000
6/1/2046			4,735,927	8,979,073	13,715,000
6/1/2047			4,448,735	9,266,265	13,715,000
6/1/2048			4,212,425	9,502,575	13,715,000
6/1/2049			2,183,307	5,326,693	7,510,000
<b>Totals</b>	<b>\$66,250,000</b>	<b>\$38,369,465</b>	<b>\$38,761,879</b>	<b>\$65,843,121</b>	<b>\$209,224,465</b>





# Savings Detail (Dissavings) of the 2010B BABs

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- Proposed payments are +\$36.3M higher (i.e. dissavings)
- Present value (PV) dissavings<sup>2</sup>: \$5.6M
- Net PV dissavings<sup>3</sup>: \$17.2M
  - > \$5.6M in higher payments + \$11.6M 2010 DSRF amount
  - > (16.2%) of par value refunded
- Proposed payments are lower anywhere from \$74,882 (FY 2025) to \$4.2M (FY 2043) over the next 19 years
- Term extension results in new payments of \$13.7M from FY 2044 to FY 2049, \$7.5M in FY 2049

Fiscal Year	Detailed (Savings) / Dissavings		
	2010B BABs Payments <sup>1</sup>	Proposed Payments	Nominal \$ Change
2025	\$2,382,347	\$2,307,465	(\$74,882)
2026	4,764,694	4,625,000	(139,694)
2027	4,764,694	4,623,000	(141,694)
2028	4,764,694	4,232,750	(531,944)
2029	4,764,694	3,853,500	(911,194)
2030	4,764,694	3,675,500	(1,089,194)
2031	4,764,694	3,489,500	(1,275,194)
2032	4,764,694	3,001,250	(1,763,444)
2033	6,474,694	4,516,250	(1,958,444)
2034	12,719,524	10,495,500	(2,224,024)
2035	12,942,818	10,527,000	(2,415,818)
2036	13,169,305	10,543,000	(2,626,305)
2037	13,400,144	10,568,250	(2,831,894)
2038	13,633,658	10,601,250	(3,032,408)
2039	13,938,171	10,635,500	(3,302,672)
2040	14,188,656	10,664,750	(3,523,906)
2041	14,440,831	10,695,000	(3,745,831)
2042	14,697,779	10,720,000	(3,977,779)
2043	7,557,347	3,365,000	(4,192,347)
2044		13,715,000	13,715,000
2045		13,715,000	13,715,000
2046		13,715,000	13,715,000
2047		13,715,000	13,715,000
2048		13,715,000	13,715,000
2049		7,510,000	7,510,000
<b>Totals</b>	<b>\$172,898,130</b>	<b>\$209,224,465</b>	<b>\$36,326,332</b>
		<b>PV<sup>2</sup></b>	<b>\$5,624,487</b>
		<b>Net PV<sup>3</sup></b>	<b>\$17,287,772</b>
		<b>Net PV as % of Outstanding Par</b>	<b>16.2%</b>

<sup>1</sup> Nets out current subsidy and reserve fund earnings (estimated at \$333,250 per year).

<sup>2</sup> \$ change discounted by the bond (arb) yield of the Proposed Restructuring Bonds.

<sup>3</sup> % net present value savings: savings (dissavings) / par amount refunded. Factors in both PV savings and the 2010 DSRF amount of \$11.6M.

All numbers are preliminary and subject to change. Based on market conditions as of October 23, 2024.





# Hypothetical Refunding

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- Hypothetical analysis<sup>1</sup> assumes the proposed restructuring bonds are refinanced in 10 years (2034) at par at current rates, -1.0%, and +1.0%
  - > \$97.6M of original principal estimated to be outstanding in 2034 (remaining amortization from 2035 to 2049, or ~15 years)
- Current rates are based on market conditions as of October 23, 2024

### Hypothetical Savings Analysis

<u>Rate Environment</u>	<u>Current -1.0%</u>	<u>Current Rates</u>	<u>Current +1.0%</u>
True Interest Cost <sup>2</sup>	2.53%	3.41%	4.30%
Total Cash Flow Savings	\$26,083,550	\$16,777,328	\$7,157,790
Avg Annual Cash Flow Savings	1,630,222	1,048,583	447,362
Net PV Savings (\$)	21,816,760	12,920,883	4,967,517
Net PV Savings (%)	18.4%	10.9%	4.2%

<sup>1</sup> Preliminary and subject to change (based on market conditions as of October 23, 2024). Actual results may differ, and Stifel makes no commitment to underwrite at these levels. Analysis was performed with no changes to the term or the structure of the debt service from each option. The use of a 'AA+' rating is consistent with the rating of the outstanding bonds. Refunding escrow has been funded with SLGS but in no way is Stifel recommending this or any other investment strategy. Costs of issuance and underwriter's discount assumptions are estimates for discussion purposes.

<sup>2</sup> The True Interest Cost reflects the present value borrowing cost of a financing net of underwriter's discount. Hypothetical analysis assumes a refunding of the outstanding principal of the restructuring bonds amortizing from 2035-2048 (remaining ~14 years).