Agenda Report

August 31, 2026

TO: Honorable Mayor and City Council

THROUGH: Finance Committee (August 24, 2026)

FROM: Water and Power Department

SUBJECT: **ADOPT A RESOLUTION AND CONDUCT THE FIRST READING OF AN ORDINANCE AUTHORIZING THE ISSUANCE OF THE ELECTRIC REVENUE/REFUNDING BONDS 2026A SERIES IN AN AMOUNT NOT-TO-EXCEED $104,000,000 AGGREGATE PRINCIPAL AMOUNT**

RECOMMENDATION:

It is recommended that the City Council:

1) Find that the action proposed herein is not a "project" subject to the California Environmental Quality Act (CEQA) pursuant to California Public Resources Code Section 21065 and within the meaning of State CEQA Guidelines Section 15378(b);

2) Adopt a Resolution authorizing the invitation of bids for the purchase of Electric Revenue Refunding Bonds, 2026A 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

3) Conduct the first reading of "AN ORDINANCE OF THE CITY OF PASADENA AUTHORIZING THE ISSUANCE BY THE CITY OF NOT TO EXCEED $104,000,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF PASADENA ELECTRIC REVENUE REFUNDING BONDS, 2026A SERIES, PAYABLE OUT OF THE LIGHT AND POWER FUND, AND APPROVING THE EXECUTION AND DELIVERY OF A TWELFTH SUPPLEMENT TO ELECTRIC REVENUE BOND FISCAL AGENT AGREEMENT, AND CONTINUING DISCLOSURE AGREEMENT IN CONNECTION THEREWITH".

FINANCE COMMITTEE RECOMMENDATION:

On August 24, 2026, the Finance Committee considered the proposed actions and voted unanimously to approve staff's recommendations.

BACKGROUND:

On November 7, 2016, the City of Pasadena issued its Electric Revenue Refunding Bonds, Series 2016A, in the aggregate principal amount of $119,440,000. Together with net premiums, the bonds generated net proceeds of $141,935,281. These proceeds were used to pay in full the outstanding balance on a line of credit used to complete the construction of the GT5 Repowering Project in the amount of $60,000,000, fund a portion of the capital improvement program of the electric distribution system in the amount of $30,000,000, to refund the then outstanding 2008 bonds in the amount of $47,130,000, to fund a deposit to the parity reserve in the amount of $2,664,772, and to pay the cost of issuance of the 2016A Bonds in the amount of $363,123.

The proposed Revenue Bonds will be issued in compliance with Article XIV of Pasadena's City Charter. The revenue bonds shall not constitute an indebtedness of the City, but shall constitute obligations, which shall be payable only from the Light and Power Fund.

Refunding:

The current outstanding balance of the 2016A Bonds is $92,090,000 with coupon interest rates ranging from 4% to 5%. The current market yield for Electric System bonds with the same maturities is approximately 3.7%. Since the 2016A Bonds can be optionally redeemed at 100% anytime on or after June 1, 2026, by the City, the difference in the fixed interest rates being paid on the 2016A Bonds and the current market yields presents an opportunity to generate savings by way of refunding the entire balance of the 2016A Bonds.

The 2026A Bonds will be issued with fixed interest rates and sold on a competitive basis. The bonds will have a term with the final maturity on August 1, 2045. Through the competitive sale process, the bonds will be sold to the bidder who will compete based on the lowest true interest cost (TIC). Based on current market conditions and the proposed bond structure, the anticipated net present value savings are expected to be approximately $6.8 million or 7.4% of the refunded bonds. The estimated average annual debt service savings will be $1.2 million for Fiscal Years (FY) 2028 through 2046, and $6.8 million in FY 2027 adjusting for the parity reserve release.

The Resolution and Ordinance authorize the issuance of the Electric Revenue/Refunding Bonds, 2026A Series, with a principal amount not to exceed $104,000,000 and a true interest cost not to exceed 5.5% and approve all associated financing documents. The resolution also appoints Best Best & Krieger LLP as bond and disclosure counsel and the firm PFM Financial Advisors as municipal advisor.

COUNCIL POLICY CONSIDERATION:

The recommendations are consistent with the City Council's strategic goals to maintain fiscal responsibility and stability.

ENVIRONMENTAL ANALYSIS:

CEQA excludes, from environmental review, actions that are not "projects" as defined by California Public Resources Code (PRC) Section 21065 and within the meaning of CEQA Guidelines Section 15378(b). PRC Sections 21065 and CEQA Guidelines Section 15378(b) define a project as an action which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. CEQA Guidelines Section 15378 excludes from the definition of "project" administrative activities of governments that will not result in direct or indirect physical changes in the environment. The actions proposed herein, issuance of Electric Revenue Refunding Bonds for the Light and Power Fund is an administrative activity, and therefore is not a "project" as defined by CEQA. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

In today's interest rate environment, it is anticipated that the Electric Fund financing generates a Net Present Value savings of $6.8 million after adjusting for the release of the parity reserve fund. The actual savings will be dependent on the market conditions at the time the actual bidding is completed, currently scheduled for October 26, 2026. There will be no extension of the current term of the refunding bonds, which have a final maturity on August 1, 2045. The 2026A Bonds will be issued with fixed interest rates and sold on a competitive basis. The TIC is estimated at 3.7% based on current market rates. Debt service payments will be addressed by the utilization of existing and future budgeted appropriations made from the Light and Power Fund and funds are available from current rates. These bonds will be structured as parity bonds, along with 2024A Bonds; however, they will have a funded reserve at $0. Attachment A represents the estimated sources and uses of funds based on today's market interest rates.

Pursuant to Senate Bill 450, the true interest cost of this financing is currently estimated to be 3.7%. The amount of proceeds to be received by the City is estimated to be $78,530,593. The total principal and interest payment amount is estimated to be $105,902,138 to the final maturity of the 2026A bonds. The finance charge associated with this transaction is estimated to be $715,805. There is no impact to the General Fund.

Respectfully submitted,

KARIN SCHNAIDER
Director of Finance

Prepared by:

Lynne Chaimowitz
Assistant General Manager
Water and Power Department

Concurred by:

DAVID M. REYES
General Manager
Water and Power Department

Approved by:

MATTHEW E. HAWKESWORTH
Interim City Manager

Attachments: (2)

Attachment A: Sources and Uses of Funds
Attachment B: Preliminary Official Statement