

Agenda Report

February 9, 2026

TO: Honorable Mayor and City Council
Pasadena Public Financing Authority

THROUGH: Finance Committee

FROM: Department of Finance
PPFA Treasurer

**SUBJECT: JOINT ACTION OF THE CITY COUNCIL AND THE PASADENA
PUBLIC FINANCING AUTHORITY: APPROVE THE CERTIFICATES OF
PARTICIPATION SERIES 2026A**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to 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. Adopt a resolution of the City Council of the City of Pasadena approving the execution and delivery of not to exceed \$39,000,000 aggregate initial principal amount of Refunding Certificates of Participation (COPs), Series 2026A, approving the form and authorizing the execution and delivery of an eight supplemental trust agreement, a supplement No. 7 to lease, a supplement No. 7 to sublease, a continuing disclosure agreement, an escrow agreement and other related documents, authorizing the publication of a notice of intention to sell certificates of participation and a notice of sale, authorizing the distribution of an official statement and approving other related actions in connection therewith.

It is recommended that the Pasadena Public Financing Authority:

Adopt a resolution of the Board of Directors of the Pasadena Public Financing Authority approving the form of and authorizing the execution and delivery of an eight supplemental trust agreement, a supplement No. 7 to lease, a supplement No. 7 to sublease, a contract of purchase, and approving other related documents and actions in connection therewith.

BACKGROUND:

As part of the City's ongoing effort to implement cost reductions, the City has identified an outstanding certificates of participation ("COPs") issue that could be refinanced for debt service savings:

Issue	Original Amount	Outstanding Amount	Final Maturity	Average Interest Rate
2015A Certificates of Participation	\$55,350,000	\$37,295,000	February 1, 2038	Average rate 4.52%

In 2003, the City issued \$73.79 million Variable Rate Demand Certificates of Participation (City Hall and Park improvement Project), in order to finance the City Hall seismic improvement and rehabilitation project. The 2003 COPs were later refinanced in 2008 by the issuance of the 2008C COPs. In 2015, the City again refunded the then outstanding \$60,455,000 2008C COPs by issuing its 2015A Refunding COPs. There are currently \$37,295,000 outstanding 2015A Refunding COPs that can be refunded at any time. The current outstanding 2015A Refunding COPs bear interest rates ranging from 3.5% to 5.0%. Given the current interest rate environment, these COPs could be refunded to the same term at an estimated True Interest Cost of 2.66% generating debt service savings to the General Fund.

The necessary documents (Eight Supplemental Trust Agreement, a supplement No. 7 to lease, a supplement No. 7 to sublease, a continuing disclosure agreement, an escrow agreement, the preliminary official statement and Appendix A) in connection with the issuance of the proposed Refunding COPs, Series 2026A, are provided in substantially final form. Bond Counsel has prepared the attached resolutions authorizing the sale and issuance of the Refunding COPs, Series 2026A. The resolutions require action by the City Council and the Pasadena Public Financing Authority to approve the issuance of the 2026A Refunding COPs in an aggregate principal amount of not to exceed \$39,000,000. The resolutions authorize the execution and delivery by the City and the Authority of the necessary financing documents and certificates and related actions, including the distribution of the Official Statement in connection with the offering and sale of the Series 2026A COPs.

The 2026A Refunding COPs are expected to be sold on a competitive basis and awarded to the lowest True Interest Cost (TIC) bidder after advertising for sealed proposals, provided that the City Council may reject any and all bids. The 2026A Refunding COPs will have a term no longer than the current outstanding 2015A Refunding COPs and be issued at fixed interest rates. There will be no extension of the final maturity, and the 2026A Refunding COPs may be sold at a premium.

The team comprised of City Finance staff, Norton Rose Fulbright US LLP as Bond and Disclosure Counsel, and KNN as Municipal Advisor. Norton Rose Fulbright US LLP was selected in the past as part of a Request For Qualification process to act as Bond and Disclosure Counsel on General Fund issued financings and KNN was selected through a Request For Proposal Process specifically for the 2026A Refunding COPs.

ENVIRONMENTAL ANALYSIS:

The proposed actions are governmental fiscal activities that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project to CEQA, no environmental document is required.

FISCAL IMPACT:

In today's interest rate environment, it is expected that the 2026A Refunding COPs will be issued at a 2.66% TIC and will generate an estimated \$3,077,000 in net present value savings (NPV) or 8.25% NPV savings of the refunded 2015A Refunding COPs. The average annual debt service savings is estimated to be \$330,000 from Fiscal Years (FY) 2027 through 2038 with the exception of FY 2034. The actual savings will depend on the market conditions at the time the sale is completed on the currently scheduled February 17, 2026, date. There will be no extension of the current term on the 2015A Refunding COPs, which have a final maturity on February 1, 2038.

All costs associated with the refunding will be incorporated and paid by the proceeds of the 2026A Refunding COPs. Funds will be appropriated in the General Fund's FY 2027 operating budget to pay debt service on the 2026A Refunding COPs. There is no anticipated impact to other operational programs or capital projects as a result of this action.

Pursuant to Senate Bill 450, the true interest cost of this financing is currently estimated to be 2.66%. The amount of proceeds to be received by the City is estimated to be \$37,937,965. The total principal and interest payment amount is estimated to be \$44,305,235 to the final maturity of the 2026A Refunding COPs. The finance charge associated with this transaction is estimated to be \$440,525.

The following is the estimated sources and uses of funds:

Sources

COPs Proceeds	
Par Amount	\$33,105,000
Premium	<u>4,832,965</u>
	\$37,937,965

Uses


Refunding escrow deposit	\$37,496,435
Cost of Issuance	\$275,000
Underwriter's discount	<u>166,530</u>
	\$37,937,965

Respectfully submitted,



KARIN SCHNAIDER
Director of Finance
PPFA Treasurer

Prepared by:



Vic Erganian
Deputy Finance Director /City Treasurer

Approved by:



MIGUEL MARQUEZ
City Manager
PPFA Executive Director

Attachments: (7)

- A. Preliminary Official Statement and Appendix A
- B. Eight Supplemental Trust Agreement
- C. Supplement No. 7 to Lease and supplement No. 7 to Sublease
- D. Continuing Disclosure Agreement
- E. Escrow Agreement
- F. Bond Purchase Contract
- G. Official Notice of Sale