

# Agenda Report

TO: CITY COUNCIL

FROM: CITY MANAGER /CHIEF EXECUTIVE OFFICER/CHIEF ADMINISTRATIVE OFFICER

DATE: DECEMBER 22, 1997

RE: JOINT ACTION: RENEWAL OF THE LETTER OF CREDIT ON LOS ROBLES AVENUE PARKING FACILITY CERTIFICATES OF PARTICIPATION.

**RECOMMENDATION:**

It is recommended that the City Council adopt a Resolution:

- A- Approving the substitution of Canadian Imperial Bank of Commerce, New York Agency ("CIBC"), for Sanwa Bank of California as letter of credit provider for the Certificates; and
- B- Approving the Letter of Credit Reimbursement Agreement and authorizing designated officers of the City to execute the Letter of Credit Reimbursement Agreement with CIBC; and
- C- Designating specified officers of the City to act as "Authorized Officers" for purposes of the Letter of Credit Reimbursement Agreement; and
- D- Authorizing designated officers of the City to do any and all things and to execute and deliver any and all documents necessary or advisable in connection with the Letter of Credit substitution.

It is recommended that the Pasadena Community Development Commission adopt a Resolution:

- A- Approving the First Amendment to Trust Agreement to provide for the Trustee to pursue remedies against CalSTRS (as assignee of ½ of the obligations of CIBC under the letter of credit issued by CIBC); and authorizing designated officers of the Commission to execute the First Amendment to Trust Agreement; and

B- Authorizing designated officers of the Commission to do any and all things and to execute and deliver any and all documents necessary or advisable in connection with the letter of credit substitution.

It is recommended that the City of Pasadena Parking Authority adopt a Resolution:

- A- Approving the substitution of CIBC for Sanwa Bank California as letter credit provider for the Certificates; and
- B- Approving the Letter of Credit Reimbursement Agreement and authorizing designated officers of the authority to execute the Letter of Credit Reimbursement Agreement with CIBC; and
- C- Designating specified officers of the Authority to act as “Authorized Officers” for purposes of the Letter of Credit Reimbursement Agreement; and
- D- Approving the First Amendment to Trust Agreement and authorizing designated officers of the Authority to execute the First Amendment to Trust Agreement to provide for the Trustee to pursue remedies against CalSTRS (as assignee of ½ of the obligations of CIBC under the letter of credit issued by CIBC); and
- E- Authorizing designated officers of the Authority to do any and all things and to execute and deliver any and all documents necessary or advisable in connection with the letter of credit substitution.

**BACKGROUND:**

In November, 1987 the City of Pasadena issued the \$20,300,000 Variable Rate Demand Certificates of Participation (Los Robles Parking Facility ) to finance the costs associated with the construction and development of a subterranean parking garage on Los Robles Avenue.

The COPs are issued as taxable variable rate demand securities with a rate reset every seven days. Interest payments are made monthly, on the first business day of each month. The COPs are secured by annual appropriations from the City’s General Fund. The City has a covenant to include in its annual budget an amount sufficient to make its annual lease payments. The General Fund, in turn, is reimbursed from revenues received from the Los Robles parking facility.

On December 3, 1987, Sanwa Bank Limited issued an irrevocable Letter of Credit to the Bond Trustee in the amount of \$20,300,000. This letter of credit was for a term of ten years and expired on December 8, 1997. The City extended the Letter of Credit for 60 days; the expiration date is now February 6, 1998. It is staff’s recommendation to renew the Letter of Credit with Canadian Imperial Bank of Commerce (CIBC) instead of Sanwa Bank. The primary reason for exchanging letter of credit banks is that CIBC provides better credit quality. This will result in a slightly lower interest rate on the bonds, saving the City thousands of dollars annually. CIBC is currently the letter of credit bank on the financing for both variable rate Rose Bowl Certificates of Participation. The Letter of

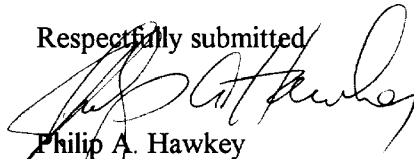
Credit will be issued 100% by CIBC. CIBC, in turn, will assign 50% of the obligation under the Letter of Credit to California State Teachers Retirement System ("CALSTERS") which has a better credit rating than CIBC, therefore further enhancing the rating on the City's bonds.

The current contract between the City and Sanwa Bank does not contain a separate Reimbursement Agreement. Instead, the reimbursement language is incorporated into the Authority Lease (Sec. 4a). As a condition for renewing the Letter of Credit with CIBC, CIBC requires a separate Reimbursement Agreement which details how the bank will be reimbursed when draws are made against the Letter of Credit. Therefore, it is staff's recommendation that the City Council and the Parking Authority approve the Letter of Credit Reimbursement Agreement.

**FISCAL IMPACT:**

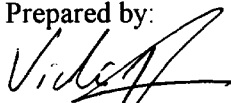
Canadian Imperial Bank of Commerce has a rating of Aa3 by Moody's versus Sanwa's A2. It is staff's estimation that the credit rating improvement on the bonds will lower the City's borrowing cost by an estimated 10 TO 15 basis points. In addition, given the status of the Japanese banks and their financial problems, it is prudent to obtain a Letter of Credit from a more stable bank. Currently, the City pays 40 basis points letter of credit fees to Sanwa Bank. The letter of credit fee from CIBC will be 30 to 32 basis points which represents a 20% reduction in fees.

Respectfully submitted,



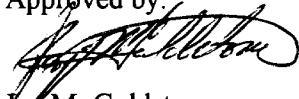
Philip A. Hawkey  
City Manager and Chief Administrative Officer

Prepared by:



Vic Ergaman  
City Treasurer

Approved by:



Jay M. Goldstone  
Director of Finance