



Agenda Report

TO: CITY COUNCIL **DATE:** MARCH 30, 1998

FROM: CYNTHIA J. KURTZ, ACTING CITY MANAGER

SUBJECT: RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA, CALIFORNIA DECLARING ITS INTENTION TO REIMBURSE ITSELF FROM THE PROCEEDS OF ONE OR MORE TAX-EXEMPT FINANCINGS FOR CERTAIN EXPENDITURES MADE AND/OR TO BE MADE IN CONNECTION WITH THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF CERTAIN CAPITAL IMPROVEMENTS

RECOMMENDATION

It is recommended that the City Council approve a Resolution declaring its intention to reimburse itself from the proceeds of one or more tax-exempt financings for certain expenditures made and/or to be made in connection with the acquisition, construction and equipping of certain capital improvements within the Light and Power Fund.

DISCUSSION

On August 13, 1997, the City Council adopted staff's conceptual recommendations to refund the 1990 Electric Revenue Bonds and to issue new bonds in the amount of approximately \$15 million for new capital projects. These recommendations were also approved by the Labor/ Management Committee as well as the City Council Deregulation Committee.

Two key elements lead staff to make this recommendation. First, by refunding the 1990 Revenue Bonds, the Light and Power Fund would realize an actual savings due to lower interest rates and thus lower debt service expenses. Second, by issuing additional debt for new capital projects, the Light and Power Fund would free up cash previously earmarked for these projects and place the cash into the Reserve for Stranded Investments. The earnings on the Reserve is expected to be higher than the cost of borrowing the funds, thus a form of positive arbitrage. In addition, by placing an additional \$15 million into the Reserve, the City Council would be able to reduce the amount of funding necessary to be raised by the temporary rate surcharge. (This proposal has been factored into the most recent Light and Power Fund Financial Plan and is already reflected in the temporary rate surcharge.)

Since the City Council's August action, staff has been working with Bond Counsel and Financial Advisors to structure various alternatives in light of the discussions in Washington, D.C. regarding the future of tax-exempt financing for municipally owned utilities. Within the next two to three months, a final recommendation will be brought forward with the relevant bond documents. Until this occurs, if the City Council approves of this resolution, the City (i.e. the Light and Power Fund) can reimburse itself proceeds for previously incurred costs from the bond proceeds.

FISCAL IMPACT

There is no specific fiscal impact from this action. This action does not obligate the City Council to approve a bond issue in the future and should the City Council choose not to proceed with a bond issue, all capital project related costs incurred would be paid for out of current cash balances.

Respectfully submitted,


CYNTHIA J. KURTZ
Acting City Manager

Prepared by:


JAY M. GOLDSTONE
Director of Finance