

Agenda Report

SEPTEMBER 13, 1999

THROUGH: CITY COUNCIL FINANCE COMMITTEE
TO: CITY COUNCIL
FROM: CITY MANAGER
SUBJECT: RESOLUTION OF THE CITY COUNCIL AUTHORIZING THE EXECUTION AND DELIVERY OF AN AMENDMENT NO. 1 TO AMENDED AND RESTATED TRUST AGREEMENT AND AN AMENDMENT NO.1 TO AMENDED AND RESTATED SUBLEASE IN CONNECTION WITH THE 1996 CERTIFICATES OF PARTICIPATION (ROSE BOWL IMPROVEMENTS PROJECT) AND OTHER MATTERS RELATED THERETO

RECOMMENDATION

It is recommended that the City Council:

1. Approve a Resolution authorizing the execution and delivery of an Amendment No. 1 to the Amended and Restated Trust Agreement and an Amendment No. 1 to the Amended and Restated Sublease in connection with the 1996 Certificates of Participation (Rose Bowl Improvement Project) and other matters related thereto and
2. Agree for a period not to exceed June 30, 2004 (5 years), should the RBOC ever need all or a portion of the 1996 COPs used by the City for approved RBOC capital project, the City will make those funds available to the RBOC from available City resources.

BACKGROUND

In June 1996, the City, on behalf of the Rose Bowl Operating Company (RBOC), issued \$21.2 million in Certificates of Participation (COP) bonds to construct various improvements at the Rose Bowl. As of July 31, 1999, there is over \$2.9 million in bond proceeds remaining. Of this amount, \$780,500 is specifically designated for mitigation purposes, while \$178,330 is designated for the arts. The remaining \$2 million can be used for any other capital project(s) which satisfy the various requirements specified in the original bond documents.

Staff from the Pasadena Center Operating Company has approached the City looking for possible funding for its \$1.4 million maintenance program. Given the City's need to expend the 1996 bond proceeds as quickly as possible, on July 19, 1999, the City Council approved a staff recommendation to utilize \$1.4 million of the remaining balance for maintenance improvements at the Conference Center. The funds would be used to replace carpet and wall coverings, repair damaged areas, paint, improve interior and exterior signage, etc. Another benefit of this transaction would be to expend the unspent bond proceeds as quickly as possible in order to end the accruing and payment of penalties to the federal government on the unspent proceeds. In conjunction with this transaction, City and RBOC staff have worked out an arrangement to allow the RBOC to receive a like dollar amount at some later date for necessary capital projects.

DISCUSSION

Following the July 19th City Council action, staff contacted Bond Counsel to determine the steps necessary to transfer the \$1.4 million to PCOC. Based upon Bond Counsel's initial reaction to the proposal, staff has developed an alternative approach to consummate the transaction. This is primarily due to the fact that there are two separate Operating Companies involved and the amount of effort Bond Counsel described it would have to put into this transaction to determine that PCOC was a bonifide public entity made the cost of this transaction too high.

As such, staff is now recommending two separate transactions. The first, which is before you, would allow the City to access unspent 1996 COP bond proceeds in order to more quickly expend these funds. The City will use the funds to cover a portion of the cost to construct Fire Station 34. Currently \$3.0 million in Charter Capital Reserve funds has been appropriated to the Fire Station 34 project.

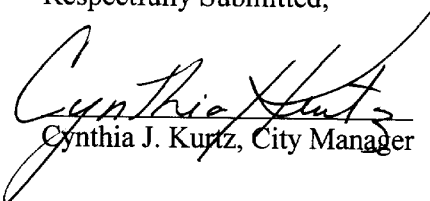
In a separate Council action, it will be recommended that the City Council use \$1.4 million of the funds originally appropriated for Fire Station 34 and loan it PCOC. Until the RBOC requires these funds, it will be relieved of the debt service on the funds expended by the City. The City's debt service will be covered by the payments made by PCOC to the City. The RBOC will save approximately \$110,000 annually. As previously mentioned, the City agrees that it will replenish any funds it draws from the bond proceeds should the RBOC require them in the future. This agreement will be in affect for five years.

The Resolution you are being asked to approve will provide the necessary amendments to two documents affiliated with the 1996 Rose Bowl Improvement COP to permit the use of these funds by the City.

FISCAL IMPACT

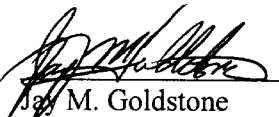
This transaction will have no fiscal impact on the City's General Fund. The RBOC will save approximately \$110,000 in annual debt service and the projected annual penalties of \$42,000 will end. PCOC will use its share of Transient Occupancy Tax (TOT) to cover the additional debt service. TOT is projected to be higher due to the recent increase in the rate approved by the City Council and the additional TOT expected when the new Marriott opens in the spring.

Respectfully Submitted,



Cynthia J. Kurtz, City Manager

Approved:



Jay M. Goldstone
Director of Finance