DEPARTMENT OF FINANCE
Notice of a Regular Meeting of the
FINANCE COMMITTEE
4:00 p.m. – Monday, September 12, 2016
Pasadena City Hall - Council Chambers Room S249

NOTICE IS HEREBY GIVEN that a regular meeting of the Finance Committee will be held **Monday, September 12, 2016** at **4:00 p.m.** in the Council Chambers Room S249, at City of Pasadena City Hall, 100 N. Garfield Ave., Pasadena, California.

A. CALL TO ORDER

B. PUBLIC COMMENT

C. NEW BUSINESS

1. Recognize and Appropriate $100,000 of Los Angeles County Grant Funds to the Public Health Department Fiscal Year 2017 Operating Budget and Increase Personnel Allocation by 0.50 FTE for the Substance Use Disorder Treatment Services Program
2. Recognize and Appropriate $327,511 to the Public Health Department Fiscal Year 2017 Operating Budget and Increase Personnel Allocation by 1.0 FTE for the Project Wraparound Program
3. Adoption of Resolutions to Comply with the State of California's Application Requirements for a Water Recycling Funding Program Grant and Clean Water State Revolving Fund Low-Interest Loan for Phase 1 of the Non-Potable Water Project
4. Joint Action: 2016A Rose Bowl Refunding Bonds
5. Adoption of a Resolution and the First Reading of an Ordinance Authorizing the Invitation of Bids for the Purchase of Electric Revenue/Refunding Bonds, 2016A 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; Authorizing the Issuance by the City of Not to Exceed $140,000,000 Aggregate Principal Amount of City of Pasadena Electric Revenue/Refunding Bonds, 2016A Series, Payable out of the Light and Power Fund; Approving the Execution and Delivery of a Ninth Supplemental to Electric Revenue Bond Fiscal Agent Agreement, an Escrow Agreement, a Continuing Disclosure Agreement, and Authorizing Certain Actions in Connection Therewith

D. ADJOURNMENT

Terry Tornek, Mayor
Finance Committee Chair

This notice, in its entirety, was posted at City Hall and distributed as indicated below by 5:30 p.m., Thursday, September 8, 2016.

Lori Eubanks, Recording Secretary
Finance Committee

Distribution:
City Council
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Central Library
Pasadena Independent
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Pasadena Now
Pasadena Star News
Pasadena Weekly
La Opinion

Agenda Report

September 12, 2016

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Public Health Department

SUBJECT: **RECOGNIZE AND APPROPRIATE $100,000 OF LOS ANGELES COUNTY GRANT FUNDS TO THE PUBLIC HEALTH DEPARTMENT FISCAL YEAR 2017 OPERATING BUDGET AND INCREASE PERSONNEL ALLOCATION BY 0.50 FTE FOR THE SUBSTANCE USE DISORDER TREATMENT SERVICES PROGRAM**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is exempt from the California Environmental Quality Act pursuant to State CEQA Guidelines Section 15061(b)(3) as it will not have a potentially significant environmental effect and, therefore, falls under the "general rule" exemption;

2. Recognize and appropriate $100,000 in grant funds to the Public Health Department's FY17 Operating Budget including increasing the personnel allocation by 0.50 grant funded limited-term FTE to satisfy program objectives as required by the Substance Abuse Prevention and Control (SAPC) grant.

BACKGROUND:

On July 1, 2016, the County of Los Angeles Public Health Department awarded $100,000 to the City of Pasadena Public Health Department (PPHD) Substance Abuse Prevention and Control (SAPC) Program for the provision of Substance Use Disorder Treatment. Continued funding is contingent on the availability of Medi-Cal funding.

The objectives of Substance Abuse Treatment Services include expanding access and improving the delivery of drug addiction counseling and other support services to individuals and families in the San Gabriel Valley (SPA 3) as part of the continuum of

care in the prevention and treatment of substance abuse disorders. Services will be offered in a culturally responsive and linguistically appropriate method providing a comprehensive and sustainable array of coordinated drug addiction counseling services, case management, and behavioral health and related services to youth, young adults and adults (ages 16 and up) and their families.

There will be two service delivery components for the program:

Intensive Outpatient Treatment (IOT): Counseling services provided to clients a minimum of three hours per day, three days a week and are available to those clients for whom it has been determined by a physician to be medically necessary.

Outpatient Drug Free (ODF) Treatment: Services to stabilize and rehabilitate clients who have Substance Use Disorder (SUD) through individual counseling, referrals, crisis intervention and other supportive services.

The FY17 budget adopted by City Council includes funding for a 0.50 FTE Substance Abuse Counselor. To satisfy the objectives of the grant, the Department seeks to increase the Department personnel allocation by 0.50 FTE increasing the existing grant funded limited-term Substance Abuse Counselor from 0.50 FTE to 1.0 FTE. This increase in FTE was negotiated with the County after adoption of the FY 17 budget.

In addition to the increase in personnel, the Department requests additional appropriations to fund a contract mental health psychiatrist, materials and supplies, and training costs. The requested appropriations are detailed in the table below.

Budget Item	Account String	Total Increase in Appropriations
Personnel	20323035-800500-57157	$30,000
Materials and Supplies	20323035-810100-57157	$20,000
Lease Payments	20323035-810500-57157	$3,000
Photo Copy Machine Maintenance	20323035-811300-57157	$1,000
Other Contracted Services	20323035-811400-57157	$38,664
Conf & Mtgs – City Department	20323035-812700-57157	$500
Postage	20323035-814400-57157	$500
Structural Maintenance	20323035-860100-57157	$2,934
Utilities & Insurance	20323035-860400-57157	$1,605
Housekeeping Services	20323035-860500-57157	$1,250
Building Preventive Maintenance	20323035-862000-57157	$547
GRAND TOTAL		**$100,000**

COUNCIL POLICY CONSIDERATION:

The proposed action is consistent with the City Council's Strategic Plan Goal to Ensure Public Safety by facilitating the creation and expansion of an evidence-based substance abuse treatment program to increase access to behavioral health services for youth, adults, and families.

FISCAL IMPACT:

It is anticipated that $100,000 of revenues will be received and spent during the current fiscal year. Pending approval by City Council, the Public Health Department Fiscal Year 2017 operating budget will be increased by $100,000 and personnel allocation will be increased by 0.50 FTE. The full cost of the staff assigned to this program will be covered by the grant.

Respectfully submitted,

MICHAEL JOHNSON
Director
Public Health Department

Prepared by:

ANGELICA PALMEROS
Division Manager
Public Health Department

Concurred by:

MATTHEW HAWKESWORTH
Director
Department of Finance

Approved by:

STEVE MERMELL
City Manager

Agenda Report

September 12, 2016

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Public Health Department

SUBJECT: **RECOGNIZE AND APPROPRIATE $327,511 TO THE PUBLIC HEALTH DEPARTMENT FISCAL YEAR 2017 OPERATING BUDGET AND INCREASE PERSONNEL ALLOCATION BY 1.0 FTE FOR THE PROJECT WRAPAROUND PROGRAM**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is exempt from the California Environmental Quality Act pursuant to State CEQA Guidelines Section 15061(b)(3) as it will not have a potentially significant environmental effect and, therefore, falls under the "general rule" exemption;

2. Recognize and appropriate $327,511 to the Public Health Department's FY17 Operating Budget including increasing the personnel allocation by 1.0 limited term FTE to satisfy program objectives as required by the Substance Abuse and Mental Health Services Administration (SAMHSA) grant; and

3. Authorize an amendment to a pending contract with Welligent, Inc. increasing the contract value by $8,279 to $110,276 to provide a Behavioral Health Case Management Software System.

BACKGROUND:

On July 30, 2015, the City of Pasadena Public Health Department (PPHD) was awarded $594,473 for Grant Year 2-FY 2015-2016 by the Substance Abuse and Mental Health Services Administration (SAMHSA) a division of the U.S. Department of Health and Human Services. This funding supports Project Wraparound, a program based on a system of care (SOC) model that provides a comprehensive and sustainable array of

coordinated mental and behavioral health and related services to children and youth (birth to age 21) and their families. In addition to the annual allocation, SAMHSA approved a one-time rollover of $327,511 on July 28, 2016.

To meet the objectives of the grant, the Department seeks to increase the Department personnel allocation by 1.0 FTE to add a limited term Community Service Representative (CSR) II. The CSR II will liaise with the Lesbian, Gay, Bisexual, Transgender, Questioning, Intersex and Two-Spirit (LGBTIQ2-S) community, coordinate services, assist with health insurance enrollment, conduct outreach, and promote awareness and education in the community about mental health and behavioral health issues affecting Youth LGBTQI2-S. This increase in FTE was negotiated with SAMHSA after the close of FY 17 budget adoption.

In addition to the increase in personnel, the Department requests additional appropriations to fund expenditures critical to program success as detailed in the table below.

Budget Item	Account String	Total Increase in Appropriations
Personnel	20323035-800500-57113	$70,000
Materials and Supplies	20323035-810100-57113	$10,000
Lease Payments	20323035-810500-57113	$2,800
Photocopy Machine Maintenance	20323035-811300-57113	$500
Other Contracted Services	20323035-811400-57113	$182,000
Conf & Mtgs – City Departments	20323035-812700-57113	$10,000
Health Grant – Special Needs	20323035-813100-57113	$37,355
Postage	20323035-814400-57113	$500
Structural Maintenance	20323035-860100-57113	$6,649
Utilities & Insurance	20323035-860400-57113	$3,636
Housekeeping Services	20323035-860500-57113	$2,832
Building Preventive Maintenance	20323035-862000-57113	$1,239
GRAND TOTAL		**$327,511**

On July 11, 2016, City Council authorized the City Manager to execute a contract for the delivery and implementation of a Behavioral Health Case Management Software System in an amount of $102,000. The Department requests to increase the value of this contract to $110,276 to fund Welligent Express mobile application user license, e-Prescribing by Emdeon, and Emdeon standard lab interface setup. These software components and related costs were not included in the staff report presented to City Council but have since been deemed necessary to satisfy grant requirements.

COUNCIL POLICY CONSIDERATION:

The proposed action is consistent with the City Council's Strategic Plan Goal to Ensure Public Safety by facilitating the creation and expansion of an inclusive coordinated system of care for behavioral health services for children, youth, and families.

FISCAL IMPACT:

It is anticipated that $327,511 of one-time rollover revenues will be spent and received during the current fiscal year. Pending approval by City Council, the Public Health Department FY17 operating budget will be increased by $327,511 and personnel allocation will be increased by 1.0 FTE. The full cost of the limited-term FTE will be covered by the grant.

Respectfully submitted,

MICHAEL JOHNSON
Director
Public Health Department

Prepared by:

ANGELICA PALMEROS
Division Manager
Public Health Department

Concurred by:

MATTHEW HAWKESWORTH
Director
Department of Finance

Approved by:

STEVE MERMELL
City Manager

Agenda Report

September 12, 2016

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Water and Power Department

SUBJECT: **ADOPTION OF RESOLUTIONS TO COMPLY WITH THE STATE OF CALIFORNIA'S APPLICATION REQUIREMENTS FOR A WATER RECYCLING FUNDING PROGRAM GRANT AND CLEAN WATER STATE REVOLVING FUND LOW-INTEREST LOAN FOR PHASE 1 OF THE NON-POTABLE WATER PROJECT**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that Phase I of the Pasadena Non-Potable Water Project, and all funding thereof, was subject to adequate environmental review as part of the Pasadena Non-Potable Water Project Final Environmental Impact Report and corresponding Findings, as certified/adopted by City Council on February 22, 2016, and that there are no changes to the project, changed circumstances, or new information that would trigger further environmental review;

2. Adopt a resolution authorizing and directing the General Manager of the Water and Power Department ("PWP") ("Authorized Representative") or designee to: sign and file on behalf of PWP, a Financial Assistance Application for a financing agreement from the State Water Resources Control Board ("State Water Board") for the planning, design, and construction of the Pasadena Non-Potable Water Project, Phase 1 ("Project"); provide assurances, certifications, and commitments required for both the application and execution of the agreement and any amendments or changes thereto; and, represent PWP in carrying out responsibilities of the agreement, including the certification of disbursement requests on behalf of PWP and compliance with applicable state and federal laws; and

3. Adopt a resolution declaring the City's 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 Project, prior to the issuance or the approval of the low-interest loan by the State Water Board for the Project; and

4. Adopt a resolution dedicating and pledging net revenues from the Water Fund for payment of any and all Clean Water State Revolving Fund and/or Water Recycling Funding Program financing for the Project, and committing to collect such revenues and maintain the Water Fund throughout the term of such financing.

BACKGROUND:

The six-phase Pasadena Non-Potable Water Project will result in a new water distribution system that will deliver non-potable water from three local water sources to Pasadena and select customers in adjacent locations. Upon completion, the system will supply approximately 10% of Pasadena's current water needs.

On February 22, 2016, the City Council certified the Environmental Impact Report ("EIR") for the Project; adopted corresponding environmental findings and a Mitigation Monitoring and Reporting Program; approved the Project as described in the EIR; adopted a resolution to authorize the submission of applications to federal, state, and local agencies for available funding; and directed the City Attorney to draft a mandatory non-potable water use ordinance. The Final EIR evaluated Phase I of the Non-Potable Water Project at the project level, pursuant to the California Environmental Quality Act ("CEQA").

The estimated cost of Phase 1 of the Project is between $18 and $25 million based on the design as submitted with the EIR in February 2016. There may be additional costs for Phase 1 based on the further review of potential re-routing of sections of the pipeline and the ultimate location of the new reservoir at Sheldon Reservoir as requested as part of the EIR approval. As part of the Project funding plan, the City submitted applications to the State Water Board and the U.S. Bureau of Reclamation for the Project funding. Table 1 summarizes the status of each low cost project funding application filed for Phase 1 of the Non-Potable Water Project.

Table 1: Status of Low Cost Project Funding Applications

Agency	Item	Status
State Water Board	Proposition 1 Grant	Notice received of eligibility for up to $8.2 million in grant funds
State Water Board	State Revolving Fund Loan	Notice received of eligibility for a low interest loan for the balance of the construction costs
U.S. Bureau of Reclamation	Title XVI Water Reclamation and Reuse Grant	Not selected for funds in the 2016 award. (Plan to reapply for 2017)

Federal Grant Status

In June 2016, the United States Bureau of Reclamation notified the City that Pasadena's funding application was not selected mainly because the Project is not yet ready for construction. Reapplication in FY 2017 was encouraged.

State Grant and Revolving Fund Loan Status

In July 2016, the State Water Board notified the City that the Project has been placed on the eligibility list to receive up to $8.2 million in Proposition 1 grant funding, and the balance of construction costs in the form of a loan from the State Revolving Fund. However, the award is pending the submission of additional information including the approval of the water rights petition from the City of Los Angeles or City of Glendale for reducing the discharge of recycled water to the Los Angeles River. The water rights petition is expected to be filed by the City of Glendale by the end of September 2016.

The remaining required submittals include three financial compliance related resolutions:

1. *Reimbursement Resolution*: Documents the City's intention to reimburse expenditures paid prior to the issuance of financial loans from the State.
2. *Authorizing Resolution*: Enables the General Manager of PWP or designee authority to sign and file a Financial Assistance Application with the State Water Board for a financing agreement and provide assurances, certifications, and commitments required for the financial application, including executing a financial assistance agreement with the State Water Board, and to represent PWP in carrying out the responsibilities of the financing agreement including certification and disbursement requests.
3. *Pledged Revenue and Fund Resolutions*: Documents the City's dedication and pledge of Net Revenues to pay for all State financings of the Project. The City's pledge shall constitute a lien of the State Water Board on the Water Fund and revenues without any further action necessary.

In addition to the three aforementioned resolutions, PWP's General Manager is expected to acknowledge that PWP has the water rate structure and rate mechanisms in place to cover the financing costs (principal and interest on loans) of Phase 1 of the Project. In addition, prior to obtaining final approval for grants and low-interest loans, a Department of Water Resources ("DWR") approval letter for the 2015 Urban Water Management Plan ("UWMP") is required. The State Water Board is expected to work with the DWR to expedite this requirement. Upon submission of the three resolutions and UWMP approval letter, the grant funding requirements will be met.

The recommended actions are required to maintain PWP's applications for the state grant and loan opportunities in the queue for consideration, but do not guarantee that the Project will ultimately be selected by the state for funding. Should the Project be selected, City Council approval will be necessary prior to executing any grant or loan funding agreements with the state.

Additional Requirements for State Revolving Fund Loan

Two additional consultations with outside agencies will be required to obtain a loan from the State Revolving Fund. The first, a consultation with the Department of Fish and Wildlife regarding Gnatcatchers, has been completed. Staff provided the State Water

Board an updated biological report and the required filing will be completed by the end of November 2016. The second is consultation between the State Historic Preservation Office and the State Water Board. As part of this consultation, the State Water Board requested that the City update the cultural assessment included in the EIR and complete an archaeological excavation of test pits at the Sheldon Reservoir site to confirm the absence of artifacts under the proposed Sheldon Non-Potable Water Reservoir. The archaeological excavations must be carried out in the presence of a monitor designated by the Native American Tribe. If no artifacts are found, PWP expects to submit the report to the State Water Board by the end of September.

COUNCIL POLICY CONSIDERATION:

The recommended actions are consistent with the City Council's Strategic Planning Goals to maintain fiscal responsibility and stability; improve, maintain, and enhance public facilities and infrastructure; to increase conservation and sustainability; and, to support and promote the quality of life and the local economy. Funding and implementing the Project is consistent with the 2011 Water Integrated Resource Plan, the 2015 Urban Water Management Plan, and the 2002 Water Master Plan.

ENVIRONMENTAL ANALYSIS:

On February 22, 2016, the City Council certified the EIR for the Pasadena Non-Potable Water Project; adopted corresponding environmental findings and a Mitigation Monitoring and Reporting Program; approved the project as described in the EIR; adopted a resolution to authorize submittal of applications to federal, state, and local agencies for available funding; and directed the City Attorney to draft a mandatory non-potable water use ordinance. The Final EIR evaluated Phase I of the Non-Potable Water Project at the project level, pursuant to the CEQA. The actions proposed herein, implementing the City Council's direction to seek available funding for the Project, are subsequent discretionary steps required to implement Phase I of the Project studied in the EIR.

Once an EIR has been certified for a project, a lead agency may not require further environmental review absent the presence of triggering conditions as set forth in State CEQA Guidelines Sections 15162-15164, which generally consist of substantial changes in the project, substantially changed circumstances, or certain new information of substantial importance. There are no changes to the project, changes in circumstances, or new information that would require further environmental review as a result of the proposed funding mechanisms. Therefore, pursuant to CEQA Guidelines Section 15162-15164 no subsequent or supplemental environmental review is required.

FISCAL IMPACT:

While there is no immediate cost of continuing the process of submitting the required documents to the State, taking the requested action will keep PWP under consideration for up to $8.2 million grant and a low-interest loan (1.9% interest rate) of approximately $16.8 million. The grant and loan will reduce annual financing costs by approximately $470,000 and $225,000 per year, respectively, when compared to the approximate financing cost (4.0% interest rate) of Water Revenue Bonds.

Depending on the new non-potable rate design the reduced financing costs may result in savings in the range of $100,000-$200,000 per year for the large Phase 1 customers.

Respectfully submitted,

GURCHARAN S. BAWA
Interim General Manager
Pasadena Water and Power

Prepared by:

Shari M. Thomas
Assistant General Manager

Approved by:

STEVE MERMELL
City Manager

Attachments: (3)

Attachment A – Authorizing Resolution
Attachment B – Reimbursement Resolution
Attachment C – Pledged Revenues and Fund(s) Resolution

Agenda Report

September 12, 2016

TO: Honorable Mayor and City Council
Pasadena Public Financing Authority

THROUGH: Finance Committee

FROM: Director of Finance
PPFA Treasurer

SUBJECT: **JOINT ACTION: 2016A ROSE BOWL REFUNDING BONDS**

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 issuance of not to exceed $27,500,000 aggregate initial principal amount of Refunding Lease Revenue Bonds (Rose Bowl Renovation Project), Series 2016A, approving the form and authorizing the execution and delivery of a First Amendment to Amended and Restated Lease, A Second Amendment to Amended and Restated Sublease, a Purchase Agreement, a Preliminary Official Statement, a Continuing Disclosure Agreement, an Escrow Agreement, an Indenture and other related documents, authorizing the distribution of an Official Statement and approving other related actions in connection therewith.

It is recommended that the Pasadena Public Financing Authority:

1. Adopt a resolution authorizing the issuance of Lease Revenue Refunding Bonds in an amount not to exceed $27,500,000 and the execution and delivery of a First Amendment to Amended and Restated Lease, Second Amendment to Amended

and Restated Sublease, Purchase Agreement, Escrow Agreement, Preliminary Official Statement and Final Official Statement in connection therewith, and authorizing the taking of certain actions in connection therewith.

BACKGROUND:

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

Issue	Original Amount	Outstanding Amount	Final Maturity	Weighted Average Interest Rate
Current Interest Portion of the 2010A Lease Revenue Bonds	$36,808,265	$25,220,000	3/1/2027	5.0%

In 2010, the City issued four series of lease revenue bonds, Series 2010A through D (Rose Bowl Renovation Project) in the aggregate amount of $155,873,265. Series A Bonds in the amount of $36,808,265 contains $25,220,000 of current interest bonds maturing from year 2020 to 2027, with the remaining $11,588,265 in the form of Capital Appreciation bonds maturing serially from 2027 to 2033. Current interest bonds require semi-annual interest payments, while the interest for Capital Appreciation bonds are all paid at the maturity of each bond.

The 2010 bonds were issued to finance the following improvements to the Rose Bowl Stadium:

- Public Safety
  - Widening of up to 12 tunnels at end zones
  - Added exit aisles and cross aisle at end zones
  - Field level exiting
- Concourse Improvements
  - Expansion from 2.5 square feet per person to 4.5 square feet per person
  - Increase restroom fixtures by 30%
  - New 17kV electrical system
- New Press Box and Premium Seating
  - Loge boxes
  - Club seating
  - Suites
  - Horizon Club Lounge
  - Updated Broadcasts and Control Facilities
  - New entry gates, scoreboard and video board

Of the $25,220,000 principal amount outstanding on the 2010A current interest bonds, $23,385,000 (maturities 2022 to 2027) could be redeemed on March 1, 2021 at par and bear interest rates of 5 percent. The 2020 and 2021 maturities are non-callable; therefore, refunding them does not produce savings and will remain outstanding. Staff's proposal is an advanced refunding as opposed to a current refunding. In the case of an advanced refunding, proceeds of the new refunding bonds are deposited in an escrow account to pay principal and interest on the refunded bonds until the call date, at which time, the refunded 2010A bonds (the Refunded Bonds) will be paid off by the escrow agent. Once the proposed 2016A bonds close, the Refunded Bonds become legally defeased and the City will no longer be obligated to pay debt payments associated with the 2022 through 2027 maturities of the 2010A bonds.

The necessary documents (First Amendment to Amended and Restated Lease, Second Amendment to Amended and Restated Sublease, a Purchase Agreement, a Preliminary Official Statement, a Continuing Disclosure Agreement, an Escrow Agreement and Indenture), in connection with the issuance of the Lease Revenue Refunding Bonds, Series 2016A, are provided in substantially final form. Bond Counsel has prepared the attached resolutions authorizing the sale and issuance of the Lease Revenue Refunding Bonds, Series 2016A (the "2016A bonds") to refinance the Refunded Bonds. The resolutions require action by the City Council and the Pasadena Public Financing Authority to approve the issuance of the 2016A bonds in an aggregate principal amount of not to exceed $27,500,000. 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 2016A bonds.

The proposed resolution authorizing the issuance of the 2016A bonds requests the City Council confirm the selections of Norton Rose Fulbright US LLP as Bond Counsel, Urban Futures, Inc. as Financial Advisor, and Wells Fargo Bank, N.A. as underwriter.

Following City Council and Authority Board adoption of the resolutions, closing is tentatively scheduled for early to mid-October 2016 wherein the 2016A bond proceeds would be used to pay off a portion of the outstanding Refunded Bonds, and pay the related costs of issuance.

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.

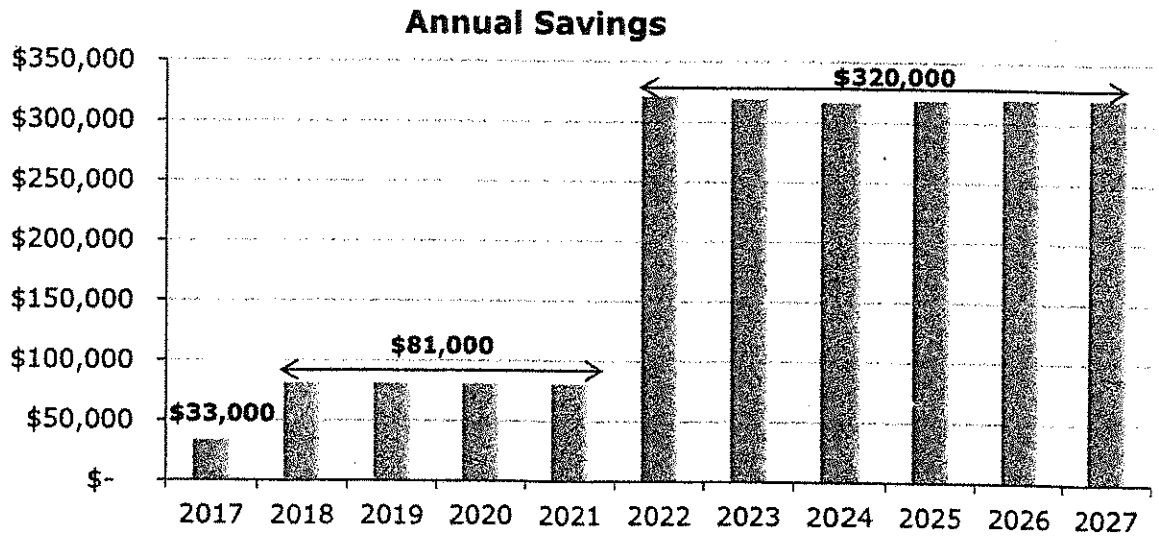
FISCAL IMPACT:

Revenues available for debt service come from six primary sources derived from the Rose Bowl Stadium: horizon/lounge membership, advertising/sponsorships, ticket & parking surcharges/premium ticket revenue, concessions, and miscellaneous revenues from meetings, banquets and other minor events.

Although the debt service payments are paid substantially from operating revenues derived from the Rose Bowl Stadium, the General Fund is ultimately responsible for securing the 2010A bonds. The savings from the recommended refinancing of the 2010A bonds would directly impact and benefit the Rose Bowl operating budget, while making an indirect impact and benefit to the General Fund.

The current interest portion of the 2010A bonds are outstanding in the amount of $25,220,000 and are scheduled to mature in 2027 with a weighted average interest rate of 5.0 percent. Based on today's interest rates, the City could refund the recommended portion of the 2010A bonds to the same term at an "all-in" cost of approximately 1.72 percent. After refinancing the recommended portion of the 2010A bonds, $1,835,000 will remain outstanding (maturities 2020 and 2021) which represents the non-callable portion of the current interest 2010A Series Bonds.

By taking advantage of low interest rates currently available in the market as of 08/15/2016, refinancing the current interest portion of the 2010A bonds is projected to produce annual savings of approximately $81,000 per year through 2021 and $320,000 thereafter through 2027 (see below graph). Over the life of the 2016A bonds, the City is projected to save $2.27 million in total debt payments. In today's dollars, this translates into over $2.04 million in net present value savings (equal to 8.73 percent of the refinanced principal amount).



Recently, bond markets experienced historically low interest rates as investors reacted to the "Brexit", election uncertainty, and marginal economic news. Current interest rates remain relatively close to historical lows. The savings generated by refunding the Refunded Bonds is sensitive to the movements in interest rates. If interest rates increase by 0.25 percent, the annual savings generated by the refunding declines to approximately $62,000 through the year 2021 and $243,000 thereafter through 2027. Total savings would amount to $1.73 million or $1.53 million on a net present value basis (6.55 percent of the refinanced principal). If interest rates decrease by 0.25 percent, the annual savings generated by the refunding increases to approximately $100,000 through 2021 and $395,000 thereafter through 2027. Total savings would amount to $2.81 million or $2.56 million on a net present value basis (10.97 percent of the refinanced principal). The table below summarizes the potential financial savings based on market rates as of August 15, 2016.

	Annual Savings (2016 - 2021)*	Annual Savings (2022 - 2027)*	Total Savings	Net Present Value Savings ($)	Net Present Value Savings (%)
Current Rates**	$81,000	$320,000	$2.27 million	$2.04 million	8.73%
Rates Increase by 0.25%	$62,000	$243,000	$1.73 million	$1.53 million	6.55%
Rates Decrease by 0.25%	$100,000	$395,000	$2.81 million	$2.56 million	10.97%

**Rounded to the nearest thousand*

***As of August 15, 2016*

The recommended refunding will not extend the current term on the bonds nor will it borrow any additional funds.

All costs associated with the refunding will be incorporated and paid by the bond proceeds of the 2016A refunding bonds. Funds have already been appropriated in RBOC's Fiscal 2017 budget to pay debt service on the bonds. There is no anticipated impact to other operational programs or capital projects as a result of this action.

Respectfully submitted,

MATTHEW E. HAWKESWORTH
Director of Finance
PPFA Treasurer

Prepared by:

For V.E.
Vic Erganian
Deputy Director of Finance/City Treasurer

Approved by:

STEVE MERMELL
City Manager
PPFA Executive Director

Attachments: (7)
1. Preliminary Official Statement and Appendix A
2. First Amendment to Amended and Restated Lease
3. Second Amendment to Amended and Restated Sublease
4. Purchase Agreement
5. Continuing Disclosure Agreement
6. Escrow Agreement
7. Indenture

Agenda Report

September 12, 2016

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Department of Finance

SUBJECT: ADOPTION OF A RESOLUTION AND THE FIRST READING OF AN ORDINANCE AUTHORIZING THE INVITATION OF BIDS FOR THE PURCHASE OF ELECTRIC REVENUE/REFUNDING BONDS, 2016A 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; AUTHORIZING THE ISSUANCE BY THE CITY OF NOT TO EXCEED $140,000,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF PASADENA ELECTRIC REVENUE/REFUNDING BONDS, 2016A SERIES, PAYABLE OUT OF THE LIGHT AND POWER FUND; APPROVING THE EXECUTION AND DELIVERY OF A NINTH SUPPLEMENTAL TO ELECTRIC REVENUE BOND FISCAL AGENT AGREEMENT, AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH

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 authorizing the invitation of bids for the purchase of electric revenue/refunding bonds, 2016A 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 $140,000,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF PASADENA ELECTRIC REVENUE/REFUNDING BONDS, 2016A SERIES, PAYABLE OUT OF THE LIGHT AND POWER FUND, AND APPROVING THE EXECUTION AND DELIVERY OF A NINTH SUPPLEMENT TO ELECTRIC REVENUE BOND FISCAL AGENT AGREEMENT, AN ESCROW AGREEMENT AND A CONTINUING DISCLOSURE AGREEMENT IN CONNECTION THEREWITH.**"

EXECUTIVE SUMMARY:

The objective of the recommended 2016A Electric Revenue/Refunding Bonds is to achieve the following three goals:

1. Refund the current outstanding estimated $60 million balance on the existing Bank of America line of credit (LOC) which served as a short term construction financing mechanism for the GT5 project;
2. Borrow $30 million to complete improvements on the Electric Distribution System in accordance with the adopted 5-year (FY 2017 – FY 2021) Capital Improvement Program for the Electric System;
3. Refund a substantial portion of the 2008 Electric Revenue Bonds currently outstanding in a total principal amount of $48.615 million to decrease debt service payments and realize significant savings. The recommended refunding will not extend the current term on the bonds.

BACKGROUND:

The adopted Fiscal Year 2017 Capital Improvement Program (CIP) for the Electric System provides for the issuance of revenue bonds and the use of equity contribution to finance additions and improvements to the electric system. The CIP is primarily driven by the Electric System Distribution Master Plan and the Integrated Resources Plan and it consists of key projects such as the local repowering project, automation and upgrades of substations, expansion of the electric distribution system from 17 kilovolts ("kV") to 34 kV, replacements of electrical components such as transformers, cables and switches, and modernization of the local electricity distribution system.

The local repowering project which is the largest component of the CIP involves replacing the existing Broadway steam generating unit (B-3) with a new 71 megawatt ("MW") natural gas-fired combined cycle electricity generating facility (GT5 Repowering Project). The cost of the GT5 Repowering Project which is expected to begin commercial operations in late 2016 was partly funded, on a short term basis, with approximately $60 million from the Bank of America Line of Credit facility (LOC). It is recommended that the outstanding balance on the

LOC of approximately $60 million be refinanced, on a long term fixed rate basis, by the issuance of the proposed 2016A Electric Revenue /Refunding Bonds. The LOC which was approved by the City Council in 2014 provided the Electric System a low cost way of funding the remaining cost of the GT5 Repowering project during its construction period as well as other electric distribution system capital improvements projects and saved ratepayers approximately $3.4 million.

Additional New Funding

Staff is also recommending the borrowing of an additional $30 million through this financing transaction to fund certain projects related to the Distribution System. The proceeds of the 2016A Bonds are expected to be used to finance a portion of the adopted FY 2017 CIP. The major objectives of the Capital Improvement Program during the five-year period are focused on improving system infrastructure, system capacity, and reliability. Projects will focus on upgrades to distribution components as well as major facilities: switchgear, cable, overcurrent protection devices, substations and dispatch sites. Expansion of the electric distribution system from 17 kV to 34 kV, and cable rejuvenation programs will ensure adequate service for new customers; construction of electrical systems undergrounding and planning for sub-transmission system enhancements will mitigate risk and ensure dependability in service.

In addition to strategic infrastructure improvements to increase system capacity and reliability, key capital improvement projects include installation of fiber optic connections to key substations to expand automation projects such as meter data management and communication systems, security of major components and enhancement of the time-of-use metering subsystems. Proceeds from the revenue bonds will also fund a new project (as approved by the City Council) for sub-transmission system enhancements. This project provides for a study and subsequent construction of a new interconnection between two receiving stations and a major substation. The new installation will offer alternate routes for bulk power delivery and afford opportunities to de-energize aged portions of the system for needed repair and replacement. This project will also consider the impacts of distributed generation on the requirements for enhancements to the sub-transmission and distribution systems. PWP's capital improvement plan is financed with a combination of pay-go revenues from current rates and long-term financing from revenue bonds.

PWP's long-term practice is to fund capital projects with approximately 30-35% current revenues with the balance from long-term bonds. This practice is reflective of industry best-practices and is consistent with the concept of ensuring that investment in long-term assets is shared appropriately by both current and future customers. The funding provided by the recommended financing for Electric System capital projects is consistent with this practice.

Refunding the 2008 Series for Economic Benefits

The third objective of the 2016A Electric Revenue Refunding bonds is to take advantage of the current low interest rates and refund all or a portion of the 2008 Series. In today's interest rate environment, there is the potential to refund $47,130,000 of the outstanding 2008 Bonds with the expectation to lower the debt service payments resulting in aggregate net present value savings. The 2008 Bonds were originally issued to acquire and fund construction of the distribution system, modernize a warehouse facility, and construct and improve a field operations building at the City yard. The outstanding 2008 Bonds bear interest at rates ranging from 4% to 5%, and the yield for the refunding portion of the 2016A Bonds is approximately 2.75%, based on current market conditions. The anticipated net present value savings from the potential refunding is approximately $6.5 million (or 13.7% of the refunded par). The inclusion of the refunding will depend on market conditions at the time of pricing. Recently, bond markets experienced historically low interest rates as investors reacted to the "Brexit", election uncertainty, and marginal economic news. Current interest rates remain relatively close to historical lows. The savings generated by refunding the 2008 Bonds is sensitive to the movements in interest rates. If interest rates increase by 0.25 percent, the present value savings on the refunding drops from $6.5 million to $5.5 million and if rates decrease by 0.25%, the present value savings increases to $7.5 million.

The resolution and ordinance authorize the issuance of and approve the various documents in connection with the issuance of the Electric Revenue/Refunding Bonds, 2016A Series, with a principal amount not to exceed $140 million and at a true interest cost not to exceed 5.00 percent. The resolution also appoints Norton Rose Fulbright US LLP as bond counsel and Public Resources Advisory Group as Financial Advisor.

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

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

FISCAL IMPACT:

The 2016A Bonds will be sold on a competitive basis with a maximum term of 30 years and will bear fixed interest rates. It is estimated that the bonds will have an average life of 16.7 years with final maturity in fiscal year 2046. The All-in true interest cost is estimated at 3.06 percent based on current market rates, which is subject to change until the actual bidding is complete on the scheduled October 31st, 2016 date. The refunding of the 2008 Electric Bonds is estimated to generate $6.5 million of net present value savings or 13.7% of the existing principal amount of the refunded bonds, based on current market conditions. Debt service payments will be made from the Light and Power Fund and will be addressed by utilization of existing budgeted appropriations in Account #45004270-867700. Funds for the debt service payments are available from currently approved electric rates.

Respectfully submitted,

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Attachments: Preliminary Official Statement and Appendix A