



## COUNCIL AGENDA REPORT

### City of Anaheim FINANCE DEPARTMENT

**DATE:** MARCH 29, 2011  
**FROM:** FINANCE DEPARTMENT  
**SUBJECT:** HONDA CENTER IMPROVEMENTS AND THE FINANCING THEREOF  
**ATTACHMENT (Y/N):** YES **ITEM # 01**

#### **RECOMMENDATION:**

That the City Council, by Resolution:

- 1) Approve an issuance of up to \$75,000,000 of Anaheim Public Financing Authority (Authority) Lease Revenue Bonds (Bonds) for certain Honda Center improvements, including providing working capital in connection with its operation;
- 2) Authorize the execution and delivery of Bond Purchase Agreement(s), among the City, the Authority, and each purchaser of Bonds;
- 3) Approve the selection of the financing team, which includes Orrick, Herrington & Sutcliffe LLP as bond counsel, and Public Financial Management Inc. as financial advisor; and
- 4) Authorize and direct the Mayor, City Manager, the City Treasurer, the Finance Director and the Deputy Finance Director to take any and all actions necessary to complete the transactions contemplated by the financing and ratifying any such actions previously taken.

#### **DISCUSSION:**

##### Background

The Honda Center, opened in 1993, is owned by the City of Anaheim and managed by Anaheim Arena Management, LLC (AAM). The Honda Center is home of the NHL's Anaheim Ducks along with a diverse range of sporting and entertainment events.

The Honda Center is financially viable and successful; however, it has its greatest financial potential as the home of two professional sports teams. The City and AAM have reached an agreement that clears the way to add an NBA team as a tenant to the Honda Center. The recommended action is a financing arrangement that will facilitate the addition of a second tenant.

### Overview of the Financing

It is recommended that the Anaheim Public Finance Authority issue bonds not to exceed \$75 million to provide funds for working capital, including transition costs, and capital improvements to support an NBA team's ability to make the Honda Center their home. Working capital, including transition costs will be capped at \$50 million, while capital improvements will be capped at \$25 million.

Several private investors have expressed a desire to purchase all of the Bonds, thus providing the up to \$75 million investment. The Bonds will have a maximum term of ten years. The principal and interest payments on the Bonds will come from the revenues of the Honda Center, which is managed by AAM. It is estimated that the additional revenues associated with the second professional sports team will be sufficient to pay the principal and interest on these new Bonds. The interest rate set for the Bonds is a market rate, which has been verified by the City's Financial Advisor, Public Financial Management, Inc.

In the event that the Honda Center's revenues are not sufficient to pay the interest and principal on the bonds, then the private investors have taken on all risks of non-payment. The City has no obligation to pay the bond debt; the debt will be entirely paid by AAM from the available revenue from the operations of the Honda Center.

### Benefits of the Plan of Finance

The benefit that the Public Finance Authority's role brings to the City as a party to this financing is valuable:

- The subject financing is consistent with the existing 2003 Arena Bonds and has been structured in the manner anticipated when the 2003 Arena Bonds were issued.
- The City has had the opportunity to review the financial aspects of this bond issue to assure it is in the best long term interest of the Honda Center and the City.
- The City has been able to assure that it is under no obligation for the Bond liability, including the annual principal and interest payments.
- The City will authorize and approve the distribution of the proceeds of the Bonds to assure that the funds are used in the best interest of the Honda Center and the City.
- The City has had the opportunity to assure the interest associated with this issue is at market rates; thereby assuring this financial arrangement is as competitive and equitable as possible.

**IMPACT ON BUDGET:**

There will be no impact to the General Fund. The Bonds are non-recourse, payable from revenues generated by the Honda Center. The faith and credit of the City is not pledged to the payment of the Bonds.

Respectfully submitted,

Bob Wingenroth  
Finance Director

**Attachments:**

1. Resolution