TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER
DATE: APRIL 9, 2007
CMR: 162:07

DEPARTMENT: ADMINISTRATIVE SERVICES

SUBJECT: APPROVAL OF 2005-06 PUBLIC IMPROVEMENT CORPORATION FINANCIAL STATEMENTS

RECOMMENDATION
Staff recommends that the Board of Directors of the Public Improvement Corporation (PIC) approve the 2005-06 financial statements for the Public Improvement Corporation.

BACKGROUND
The Public Improvement Corporation (PIC) is a nonprofit corporation formed by the City in 1983, allowing the City to issue Certificates of Participation (COPs) to fund capital improvements. The PIC, through a lease structure, finances the acquisition, improvement, and construction of certain City properties (described below). PIC uses the lease payments by the City’s General Fund to pay the debt service on the COPs.

On July 13, 1998, Council adopted a resolution establishing itself as the Board of Directors of the PIC.

In 1983 and 1998, the City of Palo Alto issued Certificates of Participation (COPs) to fund improvements to the Civic Center and the Golf Course, respectively. In 2002, the Civic Center bonds were refinanced due to a lower interest rate environment and COPs were issued to finance the construction of office space adjacent to the new parking structure on Bryant/Florence Street. The bylaws of the PIC require the Board of Directors of the Corporation to meet at least annually and approve the financial statements for the Corporation. Therefore, the City Council is required to meet annually as the Board of the PIC. The Board has no substantive oversight responsibilities, as it assigns all rights to receive lease payments to the Trustee (U.S. Bank Trust) for the benefit of the investors.
DISCUSSION
The attached financial statements show the financial condition of the PIC. All debt service payments have been made on time and all financial requirements, such as the maintenance of reserves, have been met. At year-end, June 30, 2006, total outstanding debt (principal) on the COPs equaled $9.9 million as follows:

<table>
<thead>
<tr>
<th>COP Description</th>
<th>Principal Outstanding (millions)</th>
<th>Year Debt will be Retired</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998 Golf Course</td>
<td>$5.4</td>
<td>2018</td>
</tr>
<tr>
<td>2002A Civic Center Refinancing</td>
<td>$2.2</td>
<td>2012</td>
</tr>
<tr>
<td>2002B Downtown Parking Improvements</td>
<td>$2.3</td>
<td>2022</td>
</tr>
<tr>
<td><strong>Total COPs</strong></td>
<td><strong>$9.9</strong></td>
<td></td>
</tr>
</tbody>
</table>

RESOURCE IMPACT
Approval of the Public Improvement Corporation’s financial statements will have no resource impact.

POLICY IMPLICATIONS
Approval of the Public Improvement Corporation’s financial statements is consistent with prior Council policy direction and resolutions.

ENVIRONMENTAL REVIEW
This is not a project under the California Environmental Quality Act (CEQA).

ATTACHMENTS
Attachment A: City of Palo Alto Public Improvement Corporation Financial Statements for the Year Ended June 30, 2006

PREPARED BY: ________________________________
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Senior Financial Analyst

DEPARTMENT APPROVAL: ________________________________
CARL YEATS
Director, Administrative Services

CITY MANAGER APPROVAL: ________________________________
EMILY HARRISON
Assistant City Manager