

STAFF REPORT

Date: August 12, 2014
To: Bryan H. Montgomery, City Manager
From: Paul Abelson, Finance Director
SUBJECT: **Resolution Approving Submission to the State Department of Finance Regarding a Proposed Refunding of the Agency's 2003 Tax Allocation Bonds**

Approved and Forwarded to City Council, as
the Board of the Successor Agency to the
Oakley Redevelopment Agency:


Bryan Montgomery, City Manager

Background and Analysis

State Law requires the Successor Agency to move forward with the winding down of the Redevelopment Agency's affairs as expeditiously as possible. Steps contemplated to help accomplish that goal include the potential refunding of existing bonds to reduce debt service payments, where such savings are meaningful.

The Agency has, to date, primarily been focused on complying with State Required audits and other Dissolution Act requirements, and in resolving certain legal disputes with the State Department of Finance (DOF) regarding their determinations as to which of the Agency's obligations are enforceable. The audits have been completed and the legal disputes resolved; and the current market for tax allocation bonds in California appears supportive of Successor Agency refunding transactions.

Staff believes refunding the Agency's 2003 Tax Allocation Bonds could provide worthwhile savings to ultimately benefit all of Oakley's taxing agencies; and seeks your approval of a Resolution that, with concurrence from the Oversight Board, would be sent to DOF for their preliminary approval.

The goal of this action ultimately is to confirm, before committing significant sums to any consultant, lawyer or advisor, that DOF would approve such a refunding.

If approved Staff will finalize agreements with its Refunding Team, and work to develop the documents and obtain the ratings necessary for a successful refunding. Those documents would then come back to the Successor Agency Board, Oversight Board, and DOF for final approval before issuance.

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Fiscal Impact

The attached Refunding Analysis from the Agency's Financial Advisor concludes that at present, a successful refunding could provide annual savings of approximately \$175,000 - \$220,000 in each of the first five (5) years, while ensuring there are savings in every year (a requirement of the Act).

Recommendation and Alternative

Staff recommends the Board adopt the attached Resolution approving the submission to the Oversight Board and DOF, for their approval, notice of the Agency's intent to refund the Agency's 2003 Tax Allocation Bonds.

Attachments

1. Resolution
2. Refunding Analysis from the Agency's Financial Advisor

SUCCESSOR AGENCY TO THE OAKLEY REDEVELOPMENT AGENCY

RESOLUTION NO. _____

A RESOLUTION OF THE SUCCESSOR AGENCY TO THE OAKLEY REDEVELOPMENT AGENCY APPROVING A SUBMISSION TO THE STATE DEPARTMENT OF FINANCE REGARDING A PROPOSED REFUNDING OF CERTAIN OUTSTANDING OBLIGATIONS OF THE FORMER OAKLEY REDEVELOPMENT AGENCY

WHEREAS, the Oakley Redevelopment Agency (the “Original Agency”) was a redevelopment agency in the City of Oakley (“City”), duly created pursuant to the California Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code) (the “Redevelopment Law”); and

WHEREAS, the City Council has adopted a redevelopment plan for Oakley’s redevelopment project area, and from time to time, the City Council has amended such redevelopment plan; and

WHEREAS, the Original Agency was responsible for the administration of redevelopment activities within the City; and

WHEREAS, Assembly Bill No. X1 26 (“AB 26”) was signed by the Governor of California on June 28, 2011, making certain changes to the Redevelopment Law and the California Health and Safety Code, including adding Part 1.8 (commencing with Section 34161) (“Part 1.8”) and Part 1.85 (commencing with Section 34170) (“Part 1.85”) to Division 24 of the California Health and Safety Code; and

WHEREAS, pursuant to AB 26, as modified by the California Supreme Court on December 29, 2011 by its decision in *California Redevelopment Association v. Matosantos*, all California redevelopment agencies, including the Original Agency, were dissolved on February 1, 2012, and successor agencies were designated and vested with the responsibility of paying, performing and enforcing the enforceable obligations of the former redevelopment agencies and expeditiously winding down the business and fiscal affairs of the former redevelopment agencies; and

WHEREAS, the City Council of the adopted a resolution pursuant to Part 1.85 of AB 26, electing for the City to serve as the successor agency to the Original Agency (the “Successor Agency”) upon the dissolution of the Original Agency; and

WHEREAS, the Board of Directors of the Successor Agency adopted a resolution naming itself the “Successor Agency to the Oakley Redevelopment Agency,” the sole name by which it will exercise its powers and fulfill its duties pursuant to Part 1.85 of AB 26, and

establishing itself as a separate legal entity with rules and regulations that will apply to the governance and operations of the Successor Agency; and

WHEREAS, on June 27, 2012, the Legislature passed and the Governor signed Assembly Bill No. 1484 (Chapter 26, Statutes 2012) (“AB 1484”), which imposed additional statutory provisions relating to the activities and obligations of successor agencies and to the wind down process of former redevelopment agencies, including, without limitation, refunding or refinancing bonds or other indebtedness; and

WHEREAS, California Health and Safety Code Section 34179, added by AB 26 and amended by AB 1484 (collectively, the “Dissolution Act”), establishes a seven (7) member local entity with respect to each successor agency and such entity is titled the “oversight board.” The oversight board has been established for the Successor Agency (hereinafter referred to as the “Oversight Board”) and all seven (7) members have been appointed to the Oversight Board pursuant to California Health and Safety Code Section 34179. The duties and responsibilities of the Oversight Board are primarily set forth in California Health and Safety Code Sections 34179 through 34181 of the Dissolution Act; and

WHEREAS, the Successor Agency is performing the necessary tasks to obtain a Finding of Completion pursuant to the Settlement Agreement between the City, the Successor Agency and the California Department of Finance (the “Department of Finance”), and meeting the requirements of California Health and Safety Code Section 34179.7 of the Dissolution Act; and

WHEREAS, the Original Agency is obligated to pay the Redevelopment Agency of the City of Oakley Taxable Tax Allocation Bonds, Series 2003 (Oakley Redevelopment Project Area), issued in the aggregate principal amount of \$8,500,000, of which \$6,425,000 remains outstanding (the “2003 Bonds”), for the purpose of financing programs, projects and activities relating to the Original Agency’s Oakley Redevelopment Project Area (the “Redevelopment Project”) from tax increment revenues derived from the Redevelopment Project; and

WHEREAS, AB 1484, among other things, amended the California Health and Safety Code to authorize the Successor Agency to issue bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Refunding Law”) for the purpose of achieving debt service savings; and

WHEREAS, the Dissolution Act added Section 34177.5 to the California Health and Safety Code, which authorizes the Successor Agency to undertake proceedings for the refunding of outstanding bonds and other obligations of the Original Agency, subject to the conditions precedent contained in Section 34177.5 and the approval of the Successor Agency’s Oversight Board; and

WHEREAS, the Successor Agency is contemplating the refunding of the Bonds by issuing an additional series of bonds (the “Refunding Bonds”) under and pursuant to the Refunding Law, which will produce debt service savings, thereby increasing the amount of property taxes paid to the taxing entities; and

WHEREAS, the Successor Agency has caused to be prepared by Public financial Management, Inc. (the “Financial Advisor”) an analysis of the potential savings that will accrue

to the Successor Agency and to applicable taxing entities as a result of such refunding (the "Refunding Analysis"), attached as Exhibit A to this Resolution, and intends to submit the plan of refunding (including the Refunding Analysis) to the Department of Finance for approval; and

WHEREAS, the Successor Agency is now requesting that the Oversight Board direct the Successor Agency to undertake the refunding proceedings; and

WHEREAS, the Successor Agency further requests that the Oversight Board make certain determinations described below on which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the Refunding Bond.;

NOW, THEREFORE, the Successor Agency to the Oakley Redevelopment Agency resolves as follows:

SECTION 1. The Successor Agency determines that there are significant potential savings available to the Successor Agency and to applicable taxing entities by the refunding the 2003 Bonds, as evidenced by the Refunding Analysis, and determines that the proposed issuance of the Refunding Bonds will be of benefit to the taxing entities for the reasons set forth above.

SECTION 2. The Successor Agency hereby requests the Oversight Board, as authorized by Section 34177.5(f), to direct the Successor Agency to undertake the refunding proceedings.

SECTION 3. The Successor Agency requests that the Oversight Board make the following determinations upon which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds:

(a) The Successor Agency is authorized, as provided in Section 34177.5(f), to recover its costs related to the issuance of the Refunding Bonds from the proceeds of the Refunding Bonds, including the cost of reimbursing its administrative staff for time spent with respect to the authorization, issuance, sale and delivery of the Refunding Bonds, and costs the City may advance to the Successor Agency to pay the fees of a fiscal consultant, as provided in Section 34173(h) of the Redevelopment Law; and

(b) The Successor Agency shall be entitled to receive its full Administrative Cost Allowance under Section 34181(a)(3) without any deductions with respect to continuing costs related to the Refunding Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183. In addition and as provided by Section 34177.5(f), if the Successor Agency is unable to complete the issuance of the Refunding Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings of the Refunding Bonds from such property tax revenues pursuant to Section 34183 without reduction in its Administrative Cost Allowance.

SECTION 4. The Secretary to the Successor Agency is hereby authorized and directed to file the Refunding Analysis, together with a certified copy of this Resolution, as provided in Section 34180(j) of the California Health and Safety Code, with the Oversight Board, the Contra

Costa County Administrative Officer, the Contra Costa County Auditor-Controller and the Department of Finance.

SECTION 5. The Successor Agency approves the submittal of the proposed plan of refunding (including the Refunding Analysis) to the Department of Finance for approval; provided, the Successor Agency is under no obligation to go forward with issuance of the Refunding Bonds unless satisfactory terms are presented to the Successor Agency.

SECTION 6. The Successor Agency hereby directs staff to cause the preparation of appropriate documentation for the issuance of the Refunding Bonds, and to submit such documentation to the Successor Agency and the Oversight Board for approval. Public Financial Management, Inc., as financial advisor, and Nossaman LLP as bond counsel, are hereby appointed by the Successor Agency in connection with the preparation of the Refunding Bond transaction. Upon receipt of approval by the Department of Finance, or at such other time is deemed appropriate in connection with the preparation of documents for the Refunding Bonds, staff is hereby directed to retain a fiscal consultant. Each of the Mayor, the City Manager or the Finance Director of the City, on behalf of the Successor Agency (each, an "Authorized Officer"), is hereby authorized and directed to execute and deliver professional services agreements with such consultants.

SECTION 7. The Successor Agency further authorizes staff to take such other actions as they deem necessary or convenient to expedite the process of review of the refunding transaction by the Department of Finance.

SECTION 8. This Resolution shall take effect immediately.

PASSED AND ADOPTED at a regular meeting of the Successor Agency to the Oakley Redevelopment Agency held on the _____ day of August, 2014, by the following vote, to wit:

AYES:
NOES:
ABSENT:
ABSTAIN:

Chair

Attest:

Secretary

I hereby certify that the above Resolution No. _____ was duly introduced, read and adopted by the Successor Agency to the Oakley Redevelopment Agency at a regular meeting held on _____, 2014.

Secretary

EXHIBIT A
REFUNDING ANALYSIS



The PFM Group
Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

City of Oakley, California
Successor Agency to the Oakley Redevelopment Agency

Taxable Tax Allocation Bonds, Series 2014

Estimated Debt Service Savings

As of August 5, 2014



The PFM Group
Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

Summary of Bonds Refunded

(Taxable Tax Allocation Bonds, Series 2003)

Maturity Date	Par Amount
9/1/2018	\$1,270,000
9/1/2023	\$2,075,000
9/1/2028	\$2,805,000
Total	\$6,150,000



The PFM Group
Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

Estimated Annual Savings

Date	Prior Debt Service	Refunding Debt Service	Savings
9/1/2015	\$671,144.00	\$498,929.05	\$172,214.95
9/1/2016	674,063.00	454,671.50	219,391.50
9/1/2017	670,804.00	451,290.50	219,513.50
9/1/2018	671,661.50	451,754.50	219,907.00
9/1/2019	671,341.00	455,971.00	215,370.00
9/1/2020	673,638.00	669,108.50	4,529.50
9/1/2021	674,380.00	673,578.00	802.00
9/1/2022	673,567.00	670,722.00	2,845.00
9/1/2023	671,199.00	667,922.00	3,277.00
9/1/2024	672,276.00	669,172.00	3,104.00
9/1/2025	670,992.00	669,234.50	1,757.50
9/1/2026	672,812.00	668,109.50	4,702.50
9/1/2027	672,420.00	668,612.00	3,808.00
9/1/2028	669,816.00	667,575.50	2,240.50
Total	\$9,410,113.50	\$8,336,650.55	\$1,073,462.95



The PFM Group
Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

Estimated Sources and Uses of Funds

Sources:

Bond Proceeds:	
Par Amount	\$5,945,000.00
Other Sources of Funds:	
Prior Reserve Fund	674,830.50
Total Sources	\$6,619,830.50

Uses:

Refunding Escrow Deposit (Cash)	\$6,264,343.20
Delivery Date Expenses:	
Cost of Issuance	200,000.00
Underwriter's Discount	59,450.00
Bond Insurance Premium	75,029.85
Surety Reserve Premium	20,807.50
Total Expenses	355,287.35
Rounding Amount	199.95
Total Uses	\$6,619,830.50

Attachment

Estimated Refunding Analysis

SOURCES AND USES OF FUNDS

Oakley Redevelopment Agency
 Taxable Tax Allocation Refunding Bonds (Refunding of 2003 TABs)
 Estimated Refunding Numbers

Dated Date 11/19/2014
 Delivery Date 11/19/2014

Sources:

Bond Proceeds:	
Par Amount	5,945,000.00
Other Sources of Funds:	
Prior DSRF	674,830.50
	6,619,830.50

Uses:

Refunding Escrow Deposits:	
Cash Deposit	6,264,343.20
Delivery Date Expenses:	
Cost of Issuance	200,000.00
Underwriter's Discount	59,450.00
Bond Insurance Premium (0.90%)	75,029.85
Surety Reserve Premium (3.50%)	20,807.50
	355,287.35
Other Uses of Funds:	
Additional Proceeds	199.95
	6,619,830.50

Notes:
 Assumed Underlying Rating: A-
 Rates as of 8/5/2014
 Underwriter's Discount: \$10 per Bond

SUMMARY OF BONDS REFUNDED

Oakley Redevelopment Agency
 Taxable Tax Allocation Refunding Bonds (Refunding of 2003 TABs)
 Estimated Refunding Numbers

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Taxable Tax Allocation Bonds, Series 2003, 2003:					
TERM2018	09/01/2018	5.890%	1,270,000.00	12/19/2014	100.000
TERM2023	09/01/2023	6.220%	2,075,000.00	12/19/2014	100.000
TERM2028	09/01/2028	6.320%	2,805,000.00	12/19/2014	100.000
			6,150,000.00		

SUMMARY OF REFUNDING RESULTS

Oakley Redevelopment Agency
Taxable Tax Allocation Refunding Bonds (Refunding of 2003 TABs)
Estimated Refunding Numbers

Dated Date	11/19/2014
Delivery Date	11/19/2014
Arbitrage yield	4.807724%
Escrow yield	
Value of Negative Arbitrage	
Bond Par Amount	5,945,000.00
True Interest Cost	4.769016%
Net Interest Cost	4.780591%
Average Coupon	4.664640%
Average Life	8.624
Par amount of refunded bonds	6,150,000.00
Average coupon of refunded bonds	6.266395%
Average life of refunded bonds	8.245
PV of prior debt to 11/19/2014 @ 4.807724%	6,811,373.62
Net PV Savings	266,772.92
Percentage savings of refunded bonds	4.337771%
Percentage savings of refunding bonds	4.487349%

SAVINGS

Oakley Redevelopment Agency
 Taxable Tax Allocation Refunding Bonds (Refunding of 2003 TABs)
 Estimated Refunding Numbers

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 11/19/2014 @ 4.8077240%
09/01/2015	671,144.00	498,929.05	172,214.95	168,712.92
09/01/2016	674,063.00	454,671.50	219,391.50	202,887.96
09/01/2017	670,804.00	451,290.50	219,513.50	193,424.65
09/01/2018	671,661.50	451,754.50	219,907.00	184,632.30
09/01/2019	671,341.00	455,971.00	215,370.00	172,311.86
09/01/2020	673,638.00	669,108.50	4,529.50	3,984.93
09/01/2021	674,380.00	673,578.00	802.00	1,023.44
09/01/2022	673,567.00	670,722.00	2,845.00	2,321.37
09/01/2023	671,199.00	667,922.00	3,277.00	2,462.11
09/01/2024	672,276.00	669,172.00	3,104.00	2,200.12
09/01/2025	670,992.00	669,234.50	1,757.50	1,245.63
09/01/2026	672,812.00	668,109.50	4,702.50	2,821.92
09/01/2027	672,420.00	668,612.00	3,808.00	2,165.06
09/01/2028	669,816.00	667,575.50	2,240.50	1,209.23
	9,410,113.50	8,336,650.55	1,073,462.95	941,403.47

Savings Summary

Dated Date	11/19/2014
Delivery Date	11/19/2014
PV of savings from cash flow	941,403.47
Less: Prior funds on hand	-674,830.50
Plus: Refunding funds on hand	199.95
Net PV Savings	266,772.92

BOND SUMMARY STATISTICS

Oakley Redevelopment Agency
 Taxable Tax Allocation Refunding Bonds (Refunding of 2003 TABs)
 Estimated Refunding Numbers

Dated Date	11/19/2014
Delivery Date	11/19/2014
Last Maturity	09/01/2028
Arbitrage Yield	4.807724%
True Interest Cost (TIC)	4.769016%
Net Interest Cost (NIC)	4.780591%
All-In TIC	5.529506%
Average Coupon	4.664640%
Average Life (years)	8.624
Duration of Issue (years)	7.015
Par Amount	5,945,000.00
Bond Proceeds	5,945,000.00
Total Interest	2,391,650.55
Net Interest	2,451,100.55
Total Debt Service	8,336,650.55
Maximum Annual Debt Service	673,578.00
Average Annual Debt Service	604,835.59
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	10.000000
Total Underwriter's Discount	10.000000
Bid Price	99.000000

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serial Bonds	2,075,000.00	100.000	3.251%	4.248	801.15
2025 Term Bond	2,055,000.00	100.000	4.750%	9.341	1,726.20
2028 Term Bond	1,815,000.00	100.000	5.130%	12.816	1,778.70
	5,945,000.00			8.624	4,306.05

	TIC	All-In TIC	Arbitrage Yield
Par Value	5,945,000.00	5,945,000.00	5,945,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount	-59,450.00	-59,450.00	
- Cost of Issuance Expense		-200,000.00	
- Other Amounts		-95,837.35	-75,029.85
Target Value	5,885,550.00	5,589,712.65	5,869,970.15
Target Date	11/19/2014	11/19/2014	11/19/2014
Yield	4.769016%	5.529506%	4.807724%

BOND PRICING

Oakley Redevelopment Agency
 Taxable Tax Allocation Refunding Bonds (Refunding of 2003 TABs)
 Estimated Refunding Numbers

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bonds:					
	09/01/2015	305,000	0.950%	0.950%	100.000
	09/01/2016	210,000	1.610%	1.610%	100.000
	09/01/2017	210,000	2.160%	2.160%	100.000
	09/01/2018	215,000	2.690%	2.690%	100.000
	09/01/2019	225,000	3.050%	3.050%	100.000
	09/01/2020	445,000	3.490%	3.490%	100.000
	09/01/2021	465,000	3.840%	3.840%	100.000
		<u>2,075,000</u>			
2025 Term Bond:					
	09/01/2025	2,055,000	4.750%	4.750%	100.000
2028 Term Bond:					
	09/01/2028	1,815,000	5.130%	5.130%	100.000
		<u>5,945,000</u>			

Dated Date	11/19/2014	
Delivery Date	11/19/2014	
First Coupon	03/01/2015	
Par Amount	5,945,000.00	
Original Issue Discount		
Production	5,945,000.00	100.000000%
Underwriter's Discount	-59,450.00	-1.000000%
Purchase Price	5,885,550.00	99.000000%
Accrued Interest		
Net Proceeds	5,885,550.00	

BOND DEBT SERVICE

Oakley Redevelopment Agency
 Taxable Tax Allocation Refunding Bonds (Refunding of 2003 TABs)
 Estimated Refunding Numbers

Period Ending	Principal	Coupon	Interest	Debt Service
09/01/2015	305,000	0.950%	193,929.05	498,929.05
09/01/2016	210,000	1.610%	244,671.50	454,671.50
09/01/2017	210,000	2.160%	241,290.50	451,290.50
09/01/2018	215,000	2.690%	236,754.50	451,754.50
09/01/2019	225,000	3.050%	230,971.00	455,971.00
09/01/2020	445,000	3.490%	224,108.50	669,108.50
09/01/2021	465,000	3.840%	208,578.00	673,578.00
09/01/2022	480,000	4.750%	190,722.00	670,722.00
09/01/2023	500,000	4.750%	167,922.00	667,922.00
09/01/2024	525,000	4.750%	144,172.00	669,172.00
09/01/2025	550,000	4.750%	119,234.50	669,234.50
09/01/2026	575,000	5.130%	93,109.50	668,109.50
09/01/2027	605,000	5.130%	63,612.00	668,612.00
09/01/2028	635,000	5.130%	32,575.50	667,575.50
	5,945,000		2,391,650.55	8,336,650.55

ESCROW REQUIREMENTS

Oakley Redevelopment Agency
Taxable Tax Allocation Refunding Bonds (Refunding of 2003 TABs)
Estimated Refunding Numbers

Period Ending	Interest	Principal Redeemed	Total
12/19/2014	114,343.20	6,150,000.00	6,264,343.20
	114,343.20	6,150,000.00	6,264,343.20