

OVERSIGHT BOARD
FOR THE SUCCESSOR AGENCY TO THE
PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY

BOARD REPORT

MEETING DATE: May 8, 2014

TITLE: APPROVAL OF REFINANCING FORMER AGENCY TAX
ALLOCATION BONDS

INITIATED: Department of Community & Economic Development

RECOMMENDATION:

1. Adopt Resolution No. 022 "A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY DIRECTING PREPARATION OF PROCEEDINGS FOR THE REFUNDING OF CERTAIN OUTSTANDING OBLIGATIONS OF THE FORMER COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALM SPRINGS, APPROVING ISSUANCE OF REFUNDING BONDS, MAKING CERTAIN DETERMINATIONS WITH RESPECT TO THE REFUNDING BONDS AND PROVIDING OTHER MATTERS RELATING THERETO."

BACKGROUND AND ANALYSIS:

When the former Community Redevelopment Agency of the City of Palm Springs was dissolved as a result of the Dissolution Act, the Agency had 6 series of tax allocation bonds previously issued and outstanding. Those bonds are:

- 2001 Housing Tax Allocation Bonds
- 2004 Series A Merged Project No. 1 Tax Allocation Refunding Bonds
- 2004 Series B Merged Project No. 2 Tax Allocation Refunding Bonds
- 2007 Series A Merged Project No. 1 Tax Allocation Bonds
- 2007 Series B Merged Project No. 1 Taxable Tax Allocation Bonds
- 2007 Series C Merged Project No. 2 Taxable Tax Allocation Bonds

The Dissolution Act authorizes refinancing of the former Agency debt. Specifically, California Redevelopment Law (CRL) authorizes the Successor Agency to refinance outstanding bonds and other obligations of the former Agency, subject to the conditions contained in CRL §34177.5, which primarily relate to demonstrable debt service savings and no extension of maturity. Upon review, the Successor Agency determined that refinancing of certain of the

former Agency's indebtedness is in its best interest and that the statutory prerequisites can be met if the refinancing is approved. Additionally, the staff costs related to refunding proceedings can be recovered as authorized by CRL §34177.5(f).

The Successor Agency authorized the issuance of the refunding bonds on May 7, 2014. Final approval authority for any refinancing resides with your Board and the Department of Finance (DOF).

Refunding Analysis

The 2001 Housing Tax Allocation Bonds, the 2004 Series A Merged Project No. 1 Tax Allocation Refunding Bonds and the 2004 Series B Merged Project No. 2 Tax Allocation Refunding Bonds are currently subject to optional call and may be refinanced at a savings. These savings will increase the amount of "residual" property tax (or tax increment) available to pay existing enforceable obligations of the Successor Agency or to be redistributed to other taxing agencies.

The amounts outstanding, maturity dates and interest rates of these three series are shown below.

	<u>2001 Bonds</u>	<u>2004 Series A Bonds</u>	<u>2004 Series B Bonds</u>
Outstanding	\$2,965,000	\$9,905,000	\$7,385,000
Final Maturity	2021	2034	2034
Interest Rate	5.43%	5.44%	5.71%

The Successor Agency's Financial Advisor (Harrell & Company Advisors) estimates that refinancing these series of bonds at an effective rate of 3.9% will reduce the Successor Agency's annual debt service by approximately \$258,000 annually through 2021 and \$105,000 thereafter through 2034, a total of \$3.3 million. This represents an overall 11% reduction in debt service compared to existing payments.

Because each series of bonds has differing maturity dates and repayment schedules, the refinancing will be structured so that each annual payment is proportionally reduced compared to the outstanding payments. That is why the savings in the earlier years are greater, since the existing debt service is greater while the 2001 Bonds are outstanding.

The other debt issues of the former Agency were reviewed for refinancing potential, but due to either interest rate or available call dates, they did not meet the statutory refinancing requirements of CRL. Successor Agency staff will continue to monitor the potential for refinancing the other outstanding series of Agency bonds.

If approved by your Board, the DOF will review the Board's action and may authorize the Successor Agency to proceed with refinancing so long as the requirements of Section 34177.5(a)(1) of the CRL are ultimately met when the refunding bonds are sold -- that is, the total debt service on the refunded bonds must be less than the total remaining debt service on the bonds being refunded. The DOF has a 60 day period for review. If the DOF takes the maximum allotted time for review, the Successor Agency will be in position to enter the market in late July.

Between the time that the refinancing is approved by the Successor Agency and the time that the Successor Agency can actually enter the market to sell the refunding bonds based on the CRL requirements, interest rates could increase, and debt service savings may be reduced. Therefore, the current Successor Agency estimate of a \$3.3 million savings to be shared among taxing agencies over the next 20 years is an estimate at this time. The estimated savings currently represent an 11% reduction in debt service expense, and a 10% savings on a present value basis.

The repayment is scheduled to occur over the same term as the existing bonds (7 years for the 2001 Bonds and 20 years for the 2004 Bonds). No extension of maturity is permitted under the Dissolution Act.

Authorizing Resolution

In order to authorize the issuance of the refunding bonds, your Board is being presented with a resolution for consideration.

The resolution authorizes sale of a principal amount of refunding bonds not-to-exceed \$20 million, to be issued as a single issue, or from time to time in separate series as the Successor Agency shall determine. The approval of the issuance of the Bonds by your Board shall constitute the approval of each and every separate series of bonds, without the need for any further approval from your Board provided, however, the maximum amount of all series of Bonds for the purpose of refunding the Refunded Bonds, shall not exceed the \$20 million maximum above and each series of bonds shall satisfy the requirements of CRL 34177.5(a)(1).

Attachments:

- Resolution
- Indenture of Trust
- Escrow Agreements
- Savings Analysis

RESOLUTION NO. 022

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY DIRECTING PREPARATION OF PROCEEDINGS FOR THE REFUNDING OF CERTAIN OUTSTANDING OBLIGATIONS OF THE FORMER COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALM SPRINGS, APPROVING ISSUANCE OF REFUNDING BONDS, MAKING CERTAIN DETERMINATIONS WITH RESPECT TO THE REFUNDING BONDS AND PROVIDING OTHER MATTERS RELATING THERETO.

WHEREAS, the Community Redevelopment Agency of the City of Palm Springs (the "Former Agency") was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (the "Law"); and

WHEREAS, pursuant to Section 34172(a) of the California Health and Safety Code (unless otherwise stated, all Section references hereinafter being to such Code), the Former Agency has been dissolved and no longer exists, and pursuant to Section 34173, the City of Palm Springs (the "City") has become the successor entity to the Former Agency (the "Successor Agency"); and

WHEREAS, prior to the dissolution of the Former Agency, the Former Agency issued its Community Redevelopment Agency of the City of Palm Springs 2001 Housing Tax Allocation Bonds in the initial principal amount of \$5,805,000 (the "2001 Housing Bonds"), its Community Redevelopment Agency of the City of Palm Springs Merged Project No. 1 Tax Allocation Refunding Bonds, 2004 Series A, in the initial principal amount of \$14,240,000 (the "2004A Bonds") and its Community Redevelopment Agency of the City of Palm Springs Merged Project No. 2 Tax Allocation Refunding Bonds, 2004 Series B, in the initial principal amount of \$9,075,000 (the "2004B Bonds" and, together with the 2001 Housing Bonds and the 2004A Bonds, the "Prior Bonds"); and

WHEREAS, Section 34177.5 authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law") for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1) (the "Savings Parameters"); and

WHEREAS, the Successor Agency has determined that, based on current conditions in the municipal bond market, it will achieve debt service savings in

compliance with the Savings Parameters as evidenced by the analysis prepared by its Financial Advisor, Harrell & Company, Advisors, describing potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the refunding of the Prior Bonds (the “Debt Service Savings Analysis”); and

WHEREAS, the Successor Agency proposes to achieve the potential debt service savings evidenced by the Debt Service Savings Analysis by the issuance of its Successor Agency to the Palm Springs Community Redevelopment Agency 2014 Subordinate Tax Allocation Refunding Bonds, (the “Refunding Bonds”) pursuant to the Law, the Refunding Law and the form of Indenture of Trust, dated as of May 1, 2014, by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Indenture”) on file with the Secretary; and

WHEREAS, pursuant to Section 34179, this Oversight Board has been established for the Successor Agency and the Successor Agency by its resolution adopted May 7, 2014, (the “Successor Agency Resolution”) requested that the Oversight Board pursuant to §34177.5(f) direct the Successor Agency to undertake such refunding proceedings by the issuance of the Refunding Bonds, it being understood that such direction by the Oversight Board will enable the Successor Agency to recover its related costs in connection with the refunding proceedings, as authorized by Section 34177.5(f); and

WHEREAS, in the Successor Agency Resolution, the Successor Agency approved the issuance of the Refunding Bonds and authorized the execution and delivery of the Indenture, subject to the conditions set forth in the Successor Agency Resolution; and

WHEREAS, in the Successor Agency Resolution, the Successor Agency also requested that this Oversight Board approve the issuance of the Refunding Bonds pursuant to the Successor Agency Resolution and the Indenture and that this 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 Bonds; and

WHEREAS, following approval by the Oversight Board of the issuance of the Refunding Bonds by the Successor Agency and upon approval by the California Department of Finance of such approval by the Oversight Board, the Successor Agency will, with the assistance of its Disclosure Counsel and its Financial Advisor, cause to be prepared a form of Official Statement describing the Refunding Bonds and containing material information relating to the Refunding Bonds, the preliminary form of which will be submitted to the Successor Agency for approval for distribution by the underwriter of the Refunding Bonds to persons and institutions interested in purchasing the Refunding Bonds; and

WHEREAS, the Successor Agency will select an underwriter to sell the Refunding Bonds, will approve a purchase contract with such underwriter and will

authorize and direct its officers and staff to implement the sale and delivery of the Refunding Bonds to such underwriter; and

WHEREAS, this Oversight Board has completed its review of the refunding proceedings and the Debt Service Savings Analysis and wishes at this time to give its approval to the issuance of the Refunding Bonds by the Successor Agency.

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board for the Successor Agency to the Palm Springs Community Redevelopment Agency, as follows:

SECTION 1. Determination of Savings. This Oversight Board has determined that there are significant potential savings available to the Successor Agency and to applicable taxing entities in compliance with the Savings Parameters by the issuance by the Successor Agency of the Refunding Bonds to provide funds to refund and defease the Prior Bonds, all as evidenced by the Debt Service Savings Analysis on file with the Secretary of the Oversight Board, which Debt Service Savings Analysis is hereby approved.

SECTION 2. Direction to Refund. The Oversight Board hereby directs the Successor Agency to undertake the refunding proceedings pursuant to Section 34177.5(a)(1) for the issuance, sale and delivery of the Refunding Bonds, as requested in the Successor Agency Resolution on file with the Secretary of the Oversight Board.

SECTION 3. Approval of Issuance of the Refunding Bonds. As authorized by Section 34177.5(f) and Section 34180, this Oversight Board hereby approves the issuance by the Successor Agency of the Refunding Bonds pursuant to Section 34177.5(a)(1) and under applicable provisions of the Law and the Refunding Law and as provided in the Successor Agency Resolution and the Indenture in the aggregate principal amount of not to exceed \$20,000,000, provided that the principal and interest payable with respect to the Refunding Bonds complies in all respects with the requirements of the Savings Parameters, as shall be certified to by the Financial Advisor upon delivery of the Refunding Bonds.

SECTION 4. Issuance in Separate Series. The Refunding Bonds may be issued as a single issue, or from time to time in separate series, as the Successor Agency shall determine. The approval of the issuance of the Refunding Bonds by the Oversight Board shall constitute the approval of each and every separate series of Refunding Bonds, without the need for any further approval from the Oversight Board, provided that each such separate series of Refunding Bonds complies in all respects with the Saving Parameters required to be met by Section 34177.5(a)(1).

SECTION 5. Determinations by the Oversight Board. As requested by the Successor Agency in the Successor Agency Resolution, the Oversight Board makes the following determinations upon which the Successor Agency shall 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 the City of Palm Springs for administrative staff time spent with respect to the authorization, issuance, sale and delivery of the Refunding Bonds;

(b) The application of proceeds of the Refunding Bonds by the Successor Agency to the refunding and defeasance of the Prior Bonds, as well as to the payment by the Successor Agency of all costs of issuance of the Refunding Bonds, as provided in Section 34177.5(a), shall be implemented by the Successor Agency promptly upon sale and delivery of the Refunding Bonds, and, notwithstanding Section 34177.3 or any other provision of law to the contrary, no further approval of the Oversight Board, the California Department of Finance, the Riverside County Auditor-Controller or any other person or entity other than the Successor Agency shall be required;

(c) 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 from such property tax revenues pursuant to Section 34183 without reduction in its Administrative Cost Allowance.

SECTION 6. Effective Date. Pursuant to Section 34179(h), all actions taken by this Oversight Board may be reviewed by the California Department of Finance and, therefore, this Resolution shall be effective five (5) business days after notice to the Department of Finance unless the Department of Finance requests a review of the actions taken in this Resolution, in which case this Resolution will be effective upon approval by the Department of Finance after such review.

PASSED, APPROVED AND ADOPTED BY THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALM SPRINGS THIS 8th DAY OF MAY, 2014.

THOMAS FLAVIN, CHAIRMAN

ATTEST:

JAMES THOMPSON, CLERK/SECRETARY

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, Secretary of the Oversight Board of the Successor Agency of the Palm Springs Community Redevelopment Agency hereby certify that Resolution No. _____ was adopted by the Oversight Board at a Special Meeting held on the 8th day of May, 2014, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

JAMES THOMPSON
OVERSIGHT CLERK/SECRETARY
City of Palm Springs, California