

**OVERSIGHT BOARD TO THE SUCCESSOR AGENCY
TO THE DISSOLVED REDEVELOPMENT AGENCY
OF THE CITY OF ARROYO GRANDE**

AGENDA REPORT

TO: Oversight Board
FROM: Debbie Malicoat, Director of Administrative Services, City of Arroyo Grande (Successor Agency)
MEETING OF: March 15, 2018
SUBJECT: CONSIDERATION OF REFUNDING 2007 TAX ALLOCATION BONDS

SUMMARY OF ACTION:

Approve actions that will allow the refunding of the 2007 Tax Allocation Bonds issued by the former Redevelopment Agency in order to save significant interest costs.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

By refunding the 2007 Bonds, the Successor Agency can generate an estimated total debt service savings of \$1,179,681 net of all costs of issuance, including the consultants fees described in this report, or about \$60,000 annually to be shared by the City and the other affected taxing entities. The repayment of principal and interest on the Bonds will be payable solely from Tax Revenues, which is tax increment revenues from the Redevelopment Project deposited into the Successor Agency's Redevelopment Property Tax Trust Fund, and available after satisfying certain administrative costs of the County and pass through obligations to affected taxing entities. The Bonds will not be a debt of the City's General Fund or the State, or any of its political subdivisions (except the Successor Agency).

RECOMMENDATION:

It is recommended the Oversight Board:

1. Adopt a Resolution approving the issuance of refunding bonds, making certain determinations with respect to the Refunding Bonds and providing other matters related thereto, as specified in the attached Resolution.

BACKGROUND:

Pursuant to section 34172(a) of the California Health and Safety Code (unless otherwise noted, all section references hereinafter being to such Code), the Arroyo Grande Redevelopment Agency (the "Former Agency"), has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to section 34173, and the Successor Agency to the Dissolved Arroyo Grande Redevelopment Agency (the "Successor Agency") has become the successor entity to the Former Agency.

A redevelopment plan for the Former Agency's Arroyo Grande Redevelopment Project in the City of Arroyo Grande (the "City") has been adopted in compliance with all requirements of the Code (the "Redevelopment Project").

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Prior to the dissolution, the Former Agency issued the 2007 Bonds to finance redevelopment activities within and for the benefit of the Redevelopment Project.

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 California 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").

The Savings Parameters in summary are:

(i) the total interest cost to maturity on the refunding debt plus the principal amount of the refunding debt shall not exceed the total remaining interest cost to maturity on the refunded debt, plus the remaining principal of the refunded debt to be refunded, and

(ii) the principal amount of the refunding debt shall not exceed the amount required to defease the defunded debt, to establish customary debt service reserves and pay related costs of issuance.

To determine compliance with the Savings Parameters for purposes of the issuance by the Successor Agency of its tax allocation refunding bonds, the Successor Agency has caused its municipal advisor, Wulff, Hansen & Co. (the "Municipal Advisor"), to prepare an analysis of the potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the use of the proceeds of the refunding bonds to repay or refund all or a portion of the 2007 Bonds (the "Debt Service Savings Analysis").

An initial analysis based on current interest rates and the refunding bonds being insured has produced an estimated total debt service savings of approximately \$1,179,681 by issuing refunding bonds. The 2007 Bonds have an interest rate on the longest term bonds of 5.80%. It is anticipated that the proposed refunding bonds would have an interest rate of approximately 4.70% on the longest term bonds. The term of the refunding bonds would not be extended, and would match the current final maturity date (09/01/2037) of the 2007 Bonds.

The Successor Agency desires at this time to authorize the issuance of its Successor Agency to the Dissolved Arroyo Grande Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2018, to refund the 2007 Bonds (the "Bonds"), pursuant to an indenture of trust (the "Indenture"), by and between the Successor Agency and Wells Fargo Bank, National Association, as trustee (the "Trustee")

Following approval by the Successor Agency, which occurred on March 13, 2018, the Oversight Board is now asked to approve the Successor Agency's actions relating to the Bonds.

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Following action by the Oversight Board, a package including the adopted Oversight Board Resolution, the adopted Successor Agency Resolution and the Debt Service Savings Analysis will be submitted to the State Department of Finance (the "DOF"). The DOF is permitted 65 days to review and approve the Oversight Board action and therefore, such approval is expected on or about May 21, 2018.

It is anticipated that the Bonds will be sold to the public through a public offering by Brandis Tallman LLP, as underwriter (the "Underwriter") and that the issue will be insured by a national bond insurance company. The final savings will be determined when the Bonds are priced and sold, which is expected to occur by the third week of June 2018.

In addition to approval of the Bonds and authorizing the preparation and execution of related documents, the Successor Agency Resolution authorized the execution and delivery of an indenture of trust, by and between the Successor Agency and Wells Fargo Bank, National Association, as trustee (the "Indenture"), an escrow agreement, by and between the Successor Agency and Wells Fargo Bank, National Association, as escrow bank, relating to the refunding and defeasance of the 2007 Bonds.

ANALYSIS OF ISSUES:

In the Successor Agency Resolution, the Successor Agency also requested that the Oversight Board direct the Successor Agency to undertake the refunding proceedings and approve the issuance of the Bonds pursuant to the Successor Agency Resolution and the Indenture and that the Oversight Board make certain determinations described in Section 5 of the attached Resolution on which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the Bonds.

These determinations include: that the Successor Agency is authorized to recover its costs related to issuance of the Bonds from the proceeds of the Bonds, that the proceeds of the bonds will be used to refund and defease the 2007 Bonds, and that the future continuing costs of issuance will be payable from property tax revenues.

ALTERNATIVES:

The following alternatives are provided for the Oversight Board's consideration:

- Proceed with the refunding of the 2007 Tax Allocation Bonds as recommended, thereby saving over \$1 million for taxpayers.
- Do not proceed with the refunding, thereby not saving over \$1 million for taxpayers.
- Provide other direction to staff.

Attachments:

1. Total estimated cost of issuance

RESOLUTION NO. _____

RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE DISSOLVED ARROYO GRANDE REDEVELOPMENT AGENCY APPROVING THE ISSUANCE OF REFUNDING BONDS OF THE SUCCESSOR AGENCY TO THE DISSOLVED ARROYO GRANDE REDEVELOPMENT AGENCY, MAKING CERTAIN DETERMINATIONS WITH RESPECT TO THE REFUNDING BONDS AND PROVIDING OTHER MATTERS RELATING THERETO

WHEREAS, Arroyo Grande Redevelopment Agency (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 California Health and Safety Code (the “Law”); and

WHEREAS, pursuant to section 34172(a) of the California Health and Safety Code (unless otherwise noted, all section references hereinafter being to such Code), the Former Agency has been dissolved and no longer exists, and pursuant to section 34173, the Successor Agency to the Dissolved Arroyo Grande Redevelopment Agency (the “Successor Agency”) has become the successor entity to the Former Agency; and

WHEREAS, pursuant to section 34179, this Oversight Board has been established for the Successor Agency; and

WHEREAS, a redevelopment plan for the Former Agency’s Arroyo Grande Redevelopment Project in the City of Arroyo Grande (the “City”) has been adopted in compliance with all requirements of the Code (the “Redevelopment Project”); and

WHEREAS, the Oversight Board is informed by the Successor Agency that, prior to the dissolution of the Former Agency, the Former Agency issued its Arroyo Grande Redevelopment Agency, Arroyo Grande Redevelopment Project Area, 2007 Tax Allocation Bonds (Federally Taxable) to finance redevelopment and low and moderate income housing activities within and for the benefit of the Redevelopment Project, which remain outstanding (the “2007 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 California 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, to determine compliance with the Savings Parameters for purposes of the issuance by the Successor Agency of its tax allocation refunding bonds (the “Refunding Bonds”), the Successor Agency has caused its municipal advisor, Wulff Hansen & Co. (the “Municipal Advisor”), to prepare an analysis of the potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the use of the proceeds of the Refunding Bonds to repay or defease and refund all or a portion of the 2007 Bonds (the “Debt Service Savings Analysis”); and

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WHEREAS, the Debt Service Savings Analysis has demonstrated that a refunding of 2007 Bonds will satisfy the Savings Parameters; and

WHEREAS, the Successor Agency, by its resolution adopted on March 13, 2018 (the "Successor Agency Resolution"), approved the issuance of its Successor Agency to the Dissolved Arroyo Grande Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2018, to refund the 2007 Bonds (the "Bonds"), pursuant to section 34177.5(a)(1); and

WHEREAS, in the Successor Agency Resolution, the Successor Agency also authorized the execution and delivery of an indenture of trust, by and between the Successor Agency and Wells Fargo Bank, National Association, as trustee (the "Indenture"), an escrow agreement, by and between the Successor Agency and Wells Fargo Bank, National Association, as escrow bank, relating to the refunding and defeasance of the 2007 Bonds; and

WHEREAS, in the Successor Agency Resolution, the Successor Agency also requested that this Oversight Board direct the Successor Agency to undertake the refunding proceedings and approve the issuance of the 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 Bonds; and

WHEREAS, the Successor Agency has determined to sell the Bonds to Brandis Tallman LLP; 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 foregoing.

NOW, THEREFORE, THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE DISSOLVED ARROYO GRANDE REDEVELOPMENT AGENCY DOES RESOLVE AS FOLLOWS:

SECTION 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

SECTION 2. 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 Bonds to provide funds to refund and defease the 2007 Bonds, as evidenced by the Debt Service Savings Analysis on file with the Secretary of the Successor Agency, which Debt Service Savings Analysis is hereby approved.

SECTION 3. Direction and Approval of Issuance of the Bonds. As authorized by section 34177.5(f), the Oversight Board hereby approves the issuance by the Successor Agency of the Bonds pursuant to section 34177.5(a)(1) and under other 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 \$5,500,000, provided that the principal and interest payable with respect to the Bonds complies in all respects with the requirements of the Savings Parameters with respect thereto, as shall be certified to by the Municipal Advisor upon delivery of the Bonds or any portion thereof.

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SECTION 4. Sale and Delivery of Bonds in Whole or in Part. The Oversight Board hereby approves the sale and delivery of the Bonds in whole, provided that there is compliance with the Savings Parameters. However, if such Savings Parameters cannot be met with respect to the whole of the Bonds, then the Oversight Board approves the sale and delivery of the Bonds from time to time in part. In the event the Bonds are initially sold in part, the Successor Agency is hereby authorized to sell and deliver additional series of the Bonds without the prior approval of this Oversight Board provided that in each such instance the Bonds so sold and delivered in part are in compliance with the Savings Parameters.

SECTION 5. Determinations by the Oversight Board. As requested by the Successor Agency, the Oversight Board makes the following determinations upon which the Successor Agency shall rely in undertaking the refunding proceedings and the issuance of the Bonds:

(a) The Successor Agency is authorized, as provided in section 34177.5(f), to recover its costs related to the issuance of the Bonds from the proceeds of the Bonds, including the cost of reimbursing its administrative staff for time spent with respect to the authorization, issuance, sale and delivery of the Bonds;

(b) The application of the proceeds of the Bonds by the Successor Agency to the refunding and defeasance of the 2007 Bonds, as well as the payment by the Successor Agency of costs of issuance of the Bonds, as provided in section 34177.5(a), shall be implemented by the Successor Agency promptly upon sale and delivery of the Bonds, notwithstanding section 34177.3 or any other provision of law to the contrary, without the approval of the Oversight Board, the California Department of Finance, the San Luis Obispo County Auditor-Controller or any other person or entity other than the Successor Agency; and

(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 Bonds, such as trustee's fees and auditing and fiscal consultant fees (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 Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings for the 2007 Bonds from such property tax revenues pursuant to section 34183 without reduction in its Administrative Cost Allowance.

SECTION 6. Effective Date. Pursuant to section 34177(f) and section 34179(h), this Resolution shall be effective five (5) business days after proper notification hereof is given to the California Department of Finance unless the California 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 California Department of Finance.

SECTION 7. Certification. The Secretary shall confirm the passage and adoption hereof.

PASSED AND ADOPTED by the Oversight Board at a meeting held on the 15th day of March, 2018.

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JIM HILL, CHAIR

ATTEST:

JESSICA MATSON, BOARD SECRETARY

ATTACHMENT 1

The Total Estimated Cost of Issuance, which is subject to change when bonds are priced, is estimated at \$315,414. All fees are payable solely from proceeds of the refunding.

Service Provider	Amount	Percent of Est. Issuance Fee
Bond Counsel – Quint & Thimmig LLP	\$45,000	14.27%
Disclosure Counsel – Quint & Thimmig LLP	\$30,000	9.51%
Municipal Advisor – Wulff, Hansen & Co.	\$45,000	14.27%
Fiscal Consultant – Urban Futures	\$13,000	4.12%
Continuing Disclosure Consultant – Urban Futures	\$2,5000	0.79%
Rating Agency	\$25,000	7.93%
Admin Fee (City)	\$25,000	7.93%
Trustee/Escrow – Wells Fargo	\$5,5000	1.74%
Verification Agent – Grant Thornton	\$2,5000	0.79%
Miscellaneous	\$6,5000	2.06%
Underwriter – Brandis Tallman	\$33,095	10.49%
Municipal Bond Insurance – TBD	\$66,461	21.07%
Reserve Fund Insurance - TBD	\$15,858	5.03%
Total Estimate	\$315,414	100.0%