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**Title:** CONSIDER RESOLUTION NO. 17-02-CSA, A RESOLUTION OF THE CARSON SUCCESSOR AGENCY OF THE CITY OF CARSON, CALIFORNIA, APPROVING THE FORM OF A CONTINUING DISCLOSURE CERTIFICATE AND PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE ISSUANCE OF THE CARSON SUCCESSOR AGENCY'S TAX ALLOCATION REFUNDING BONDS, SERIES 2017A (PROJECT AREA NO. 1 SECOND LIEN; RPTTF SECURED) (TAXABLE) AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH (SUCCESSOR AGENCY)

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. 20170124\_CSA Reso approving POS and Continuing Disclosure Certificate, 2. Series 2017 Bonds Preliminary Official Statement

Date	Ver.	Action By	Action	Result
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**Report to Successor Agency**

Tuesday, January 24, 2017

Discussion

**SUBJECT:**

**CONSIDER RESOLUTION NO. 17-02-CSA, A RESOLUTION OF THE CARSON SUCCESSOR AGENCY OF THE CITY OF CARSON, CALIFORNIA, APPROVING THE FORM OF A CONTINUING DISCLOSURE CERTIFICATE AND PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE ISSUANCE OF THE CARSON SUCCESSOR AGENCY'S TAX ALLOCATION REFUNDING BONDS, SERIES 2017A (PROJECT AREA NO. 1 SECOND LIEN; RPTTF SECURED) (TAXABLE) AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH (SUCCESSOR AGENCY)**

**I. SUMMARY**

This agenda includes proposed resolutions for the City Council, Successor Agency, and Public Financing Authority. These are the final actions necessary for the Successor Agency to issue taxable refunding bonds to refinance the Carson Public Financing Authority's Series 2009 Lease Revenue Bonds ("Series 2009 Bonds). The Authority's Series 2009 Bonds can now be refunded as tax allocation bonds pursuant to an agreement with the State Department of Finance and is expected to generate debt service savings,

leaving more property tax for distribution to taxing entities, including the City. The Refunding Bonds would also remove existing tax restrictions from development of a 157-acre former landfill site, maximizing the development potential of the site and remove the City's General Fund obligation to make lease payments to Public Financing Authority. The City's Community Center is currently leased from Public Financing Authority.

## **II. RECOMMENDATION**

WAIVE further reading, and adopt Resolution No. 17-02-CSA, A RESOLUTION OF THE CARSON SUCCESSOR AGENCY OF THE CITY OF CARSON, CALIFORNIA, APPROVING THE FORM OF A CONTINUING DISCLOSURE CERTIFICATE AND PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE ISSUANCE OF THE CARSON SUCCESSOR AGENCY'S TAX ALLOCATION REFUNDING BONDS, SERIES 2017A (PROJECT AREA NO. 1 SECOND LIEN; RPTTF SECURED) (TAXABLE) AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH.

## **III. ALTERNATIVES**

TAKE another action deemed appropriate by the Successor Agency Board.

## **IV. BACKGROUND**

In 2009, the City's Public Financing Authority issued and sold an aggregate principal amount of \$12,165,000 in Lease Revenue Bonds to help finance certain remediation improvements on the prior 157-acre Cal Compact or Carson Marketplace Site. While the former Redevelopment Agency was obligated to make debt service payments pursuant to an Installment Payment Agreement between the Agency and the Carson Public Financing Authority, the City's General Fund was also obligated under the 2009 Bonds to make lease payments to the Carson Public Financing Authority in event Agency funds were insufficient.

In 2016, the City had planned to refinance the 2009 Lease Revenue Bonds. During this process, the State Department of Finance (the "DOF") disallowed the Successor Agency's obligation to make the Installment Payment Agreement debt service payments to the Public Financing Authority. The City challenged this determination in Court. Pursuant to a legal settlement, the DOF agreed to the Successor Agency's obligation under the Installment Payment Agreement provided the City no longer receives an additional payment it had been receiving annually for lending its credit to the former Redevelopment Agency. Furthermore, the Settlement allows the Successor Agency to refinance the Public Financing Authority's \$11,055,000 in 2009 Lease Revenue Bonds as tax allocation bonds. This structure will remove the City's obligation to make lease payments and remove the City's Community Center as the subject of the lease.

On November 14, 2016, the Successor Agency adopted Resolution No. 16-25-CSA (Authorizing Resolution) approving certain documents and authorizing the sale and issuance of Tax Allocation Refunding Bonds Series 2017A on a taxable basis for the purpose of refinancing the Carson Public Financing Authority's Series 2009 Lease Revenue Bonds. The documents were subsequently approved on December 12, 2016 by the Oversight Board with the adoption of Resolution Number OBSA16-42. It is expected

that the DOF will approve the refinancing no later than February 15, 2017. The proposed resolutions would result in the following actions being taken:

1. Successor Agency Board Approving the form of a Continuing Disclosure Certificate and Preliminary Official Statement, in connection with the issuance of the Tax Allocation Refunding Bonds Series 2017A; and
2. City Council and Public Financing Authority authorizing the execution of the related Escrow Agreement.

The 2009 Lease Revenue Bonds were originally issued on a tax-exempt basis for the purpose of financing portions of the remediation and redevelopment of the project located at the 157-acre former Cal-Compact landfill site or Carson Marketplace Site. In addition to the 2009 Lease Revenue Bonds, the former Redevelopment issued its 2009 Tax Allocation Bonds for the same purpose. To maximize the development potential and flexibility for the project site, the issuance of taxable refunding bonds was proposed for both the 2009 Tax Allocation Bonds (TABs) and the 2009 Lease Revenue Bonds. The 2009 TABs were successfully refinanced in December of 2016.

#### Current Information

The proposed resolutions on this agenda would complete the actions necessary to approve the issuance of the refunding bonds. The refunding will remove the City's obligation to make lease payments, remove the City's Community Center as the leased asset in the 2009 transaction, and complete the City's objective to refinance both series of 2009 bonds on a taxable basis thereby maximizing the City's flexibility in ultimately developing the 157-acre former Carson Marketplace site. As previously discussed, The 2009 Lease Revenue Bonds were additionally secured by an Installment Payment Agreement between the Public Financing Authority and former Redevelopment Agency.

The Successor Agency is authorized by Health and Safety Code Section 34177.5(a)(1) to refund the 2009 Lease Revenue Bonds Installment Payment Agreement as long as the following conditions are met (Refunding Test).

1. The total interest cost to maturity on the Refunding Bonds plus the principal amount of the Refunding Bonds shall not exceed the total remaining interest cost to maturity plus the remaining principal of the 2009 Lease Revenue Bonds.
2. The principal amount of the Refunding Bonds shall not exceed the amount required to defease the 2009 Lease Revenue Bonds, establish customary debt service reserves, and pay related costs of issuance including the costs of consultants and staff related to the refunding.

Under current market conditions, gross present value savings total \$216,406 or 1.95% of bonds refunded. When accounting for the timing of the bond debt service reserve fund impact, net present value savings total \$537,172 or 4.85% of the bonds refunded. The 2009 Bond Reserve Fund is being used to reduce the size of the proposed 2017 bond issue. The bonds are expected to be sold in February of 2017, and savings may be higher or lower depending on market conditions at time of sale. The interest rates on the 2009 Lease Revenue Bonds to be refunded are currently 6.35%. It is expected that Standard & Poors will issue a rating of "A-" to the 2017 bonds; and that the bonds will qualify for bond

insurance, and therefore a “AA” bond rating.

Based on current and expected bond market conditions, the above state law requirements for savings are expected to be met. If the state law requirements are not met, no bonds will or can be issued without a contribution from the City.

The Refunding Bonds Series 2017A will be subordinate to the Agency’s outstanding 2003B and 2014A bonds, and on parity with the just issued 2016A Bonds. All costs of issuance will be paid from the proceeds of the Refunding Bonds Series 2017A as provided for under state law.

#### Preliminary Official Statement & Continuing Disclosure Certificate

The Preliminary Official Statement (POS) describes the security and discloses potential risks to prospective investors. It generally describes the sources of payment for the bonds, the nature of the related projects, economic and demographic characteristics of the City, and inherent known risk factors associated with the security. It is important that these documents not contain any material misstatements or omissions. The POS is distributed prior to the bond sale, so investors can make an informed purchase decision. The POS should be as close to final as possible with the actual terms of the pricing (interest rates and principal amounts) left necessarily blank. The final Official Statement will be prepared shortly after the bond sale, and must be available in time for bond closings. The POS and the final Official Statement are drafted by disclosure counsel, Jones Hall, and are executed by the Successor Agency.

To comply with Rule 15c2-12 of the Securities and Exchange Commission, the Successor Agency is required to execute a Continuing Disclosure Certificate, to be acknowledged by Digital Assurance Certification, LLC as the dissemination agent. By executing the Continuing Disclosure Certificate, the Agency covenants to comply with SEC Rule 15c2-12 and make certain annual and material disclosures on an ongoing basis.

#### Next Steps & Timeline

If the Agency Board approves the proposed resolution, the underwriter team, Piper Jaffray & Co., as a representative of itself, and FTN Financial Capital Markets and BOK Financial Securities, Inc., will distribute the Preliminary Official Statement (POS) to investors and negotiate the sale of the bonds. The bonds are expected to be sold in mid-February and to close in early March 2017.

### **V. FISCAL IMPACT**

There is no fiscal impact to the Successor Agency if the bond sale is completed. The costs associated with the refunding bonds will be paid from bond proceeds at issuance. If bonds are not sold or savings are insufficient, certain costs may be submitted to the Successor Agency and DOF for approval.

### **VI. EXHIBITS**

Resolution No. 17-02-CSA, A RESOLUTION OF THE CARSON SUCCESSOR AGENCY OF THE CITY OF CARSON, CALIFORNIA, APPROVING THE FORM OF A CONTINUING

DISCLOSURE CERTIFICATE AND PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE ISSUANCE OF THE CARSON SUCCESSOR AGENCY'S TAX ALLOCATION REFUNDING BONDS, SERIES 2017A (PROJECT AREA NO. 1 SECOND LIEN; RPTTF SECURED) (TAXABLE) AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH (pages 5-7)

Preliminary Official Statement (pages 8-120)

Prepared by: Kathryn Downs, Director of Finance