



Legislation Details (With Text)

File #: 2017-852 **Version:** 1 **Name:**
Type: Discussion **Status:** Agenda Ready
File created: 11/2/2017 **In control:** Successor Agency
On agenda: 11/21/2017 **Final action:**
Title: CONSIDER POTENTIAL REFUNDING OF SUCCESSOR AGENCY TAX ALLOCATION BONDS 2006 PROJECT AREA NO. 4 (SUCCESSOR AGENCY)
Sponsors:
Indexes:
Code sections:
Attachments: 1. Refunding Analysis 2006 TABs PA No. 4

Date	Ver.	Action By	Action	Result
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Report to Successor Agency

Tuesday, November 21, 2017

Discussion

SUBJECT:

CONSIDER POTENTIAL REFUNDING OF SUCCESSOR AGENCY TAX ALLOCATION BONDS 2006 PROJECT AREA NO. 4 (SUCCESSOR AGENCY)

I. SUMMARY

Outstanding debt of the Successor Agency includes tax allocation bonds issued in 2006 for Project Area Number 4. Current market conditions are favorable; and a bond refunding would likely reduce future debt service, resulting in additional property tax money available to distribute to the taxing entities.

Staff is asking the Successor Agency Board whether to proceed with a refunding proposal. If direction is given to proceed, legal documents will be drafted and the item would come back to the Board in January.

II. RECOMMENDATION

PROVIDE DIRECTION to staff.

1. Should the Successor Agency undertake the bond refunding?
2. Should staff prepare a Request for Proposals from underwriters, or shall the

Successor Agency Board select the underwriter(s) from those listed in this report?

3. If the Successor Agency Board does not wish to consider a bond refunding at this time, what dollar threshold of potential savings should staff use to propose a bond refunding in the future?

III. ALTERNATIVES

TAKE another action deemed appropriate by the Successor Agency Board.

IV. BACKGROUND

In 2006, the former Carson Redevelopment Agency issued \$28 million of Tax Allocation Bonds to fund redevelopment activities within Project Area No. 4 (1,034 acres located in 11 separate noncontiguous subareas); including street infrastructure, landscape median improvements, and drainage improvements.

The current outstanding principal balance of the bonds is \$22,740,000, with an average coupon rate of 4.38% and total remaining interest payments of \$14,423,585.

Based upon a refinancing analysis provided by Piper Jaffray, the Successor Agency's financial advisor C. M. de Crinis & Co. has confirmed that a bond refunding in the current market could save interest payments totaling \$2,338,911, with a net present value of \$1,664,621 (see Exhibit A). This is equivalent to 7.32% of the bonds refunded. The Successor Agency debt policy requires a minimum savings of 3% for a bond refunding. The annual savings would average approximately \$97,000, primarily benefitting other taxing entities such as the county and school district. The City of Carson would likely receive an additional property tax distribution of about \$6,500 annually or \$152,000 over the bond term.

Bond issuance costs including the underwriter's discount, bond insurance and a surety bond policy are expected to total about \$671,539; which would be paid from bond proceeds. There would be no out-of-pocket costs to the City of Carson; and the City would be reimbursed approximately \$25,000 for staff time related to the refunding.

Bond Underwriters

When the bonds are brought to market by the Successor Agency, they need to be underwritten by bond underwriters who in turn sell the bonds to investors. Depending on the size of the bond issue, additional underwriters can improve the bonds exposure to the market, as each underwriter has a portfolio of investors. In the past, the Successor Agency has used more than one underwriter.

The Successor Agency could conduct a Request for Proposals (RFP) process to select one or more underwriters. The most recent underwriting RFP was sent to 13 different firms in May 2015, and proposals were received from the following 8 firms (listed alphabetically):

- Backstrom McCarley Berry & Co., LLC

- BOSC Inc. (later became BOK Financial Securities Inc.)
- FTN Financial Capital Markets
- Goldman Sachs & Co.
- Piper Jaffray
- RBC Capital Markets
- Stifel, Nicolas & Co.
- William Blair

After staff review of the proposals, the Successor Agency Board elected to use BOK Financial Securities Inc., FTN Financial Capital Markets, and Piper Jaffray & Co. as underwriters, with Piper Jaffray & Co. as the senior underwriter.

Recently, the following underwriters have contacted staff offering their services (listed alphabetically):

- Cabrera Capital Markets, LLC
- FTN Financial Capital Markets
- Ramirez & Co.

An RFP process for bond underwriting services may take about 4 weeks; including preparation, advertising, submissions, evaluation, and recommendation. As an alternative, the Successor Agency Board could choose which bond underwriters to use without an RFP process.

Next Steps & Timeline

If the Successor Agency Board directs staff to proceed with a bond refunding and directs staff to conduct an underwriter RFP process, staff expects the Board will need to take two actions in January 2018, leading to bonds being sold in April 2018. The bond refunding must also be approved by the Oversight Board and the State Department of Finance.

V. FISCAL IMPACT

There is no immediate fiscal impact related to providing the direction requested by staff. However, if the Successor Agency refunds the 2006 Tax Allocation Bonds, the City of Carson may receive additional property tax revenue of about \$6,500 annually.

VI. EXHIBITS

A - SOURECES AND USES OF FUNDS, 2006 Project Area No. 4, Market Conditions as of October 6, 2017 (pages 4-15).

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