CITY OF CARSON

Legislation Text

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Report to Successor Agency

Tuesday, February 06, 2018

Discussion

SUBJECT:

CONSIDER RESOLUTION NO. 18-02-CSA, A RESOLUTION OF THE SUCCESSOR AGENCY TO THE CARSON REDEVELOPMENT AGENCY, APPROVING THE FORM OF A CONTINUING DISCLOSURE CERTIFICATE AND PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE ISSUANCE OF THE SUCCESSOR AGENCY'S TAX ALLOCATION REFUNDING BONDS, SERIES 2018 (PROJECT AREA NO. 4) AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH (SUCCESSOR AGENCY)

I. SUMMARY

The proposed resolution is the final Board action necessary for the Successor Agency to issue refunding bonds to refinance the Carson Redevelopment Agency Project Area # 4, Series 2006 Bonds ("Series 2006 Bonds") . The resolution approves the form of Preliminary Bond Official Statement and Continuing Disclosure Certificate, and authorizes staff of make any final changes or modifications to these documents.

The Board previously approved the Bond Indenture and other documents at its meeting on December, 5, 2017. The Successor Agency's Series 2006 Bonds are expected to generate debt service savings, leaving more property tax for distribution to taxing entities. Under current market conditions it is expected that $19,790,000 in Series 2018 refunding bonds will be issued producing a net present value savings of $1.453 million or 6.39% of the $22,740,000 in Series 2006 Bonds refunded.

The City of Carson should expect to receive an additional share of property tax for the next 22 years averaging approximately $6,600 per year. In other words, the City's share of savings is estimated to be 6.84% or $144,480 over the term of bonds or $99,403 in present value dollars.

II. RECOMMENDATION

ADOPT Resolution No. 18-02-CSA, A RESOLUTION OF THE SUCCESSOR AGENCY TO THE CARSON REDEVELOPMENT AGENCY, APPROVING THE FORM OF A CONTINUING DISCLOSURE CERTIFICATE AND PRELIMINARY OFFICIAL STATEMENT

IN CONNECTION WITH THE ISSUANCE OF THE SUCCESSOR AGENCY'S TAX ALLOCATION REFUNDING BONDS, SERIES 2018 (PROJECT AREA NO. 4) AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH (Exhibit A).

III. ALTERNATIVES

TAKE no action and the refunding bonds will not be sold.

IV. BACKGROUND

Legislative History

Assembly Bill No. 1X 26 (AB 1X 26) adopted on December 29, 2011, dissolved redevelopment agencies, and established successor agencies and oversight boards to assist in the wind down of the former redevelopment agencies. On June 27, 2012, AB 1484 was enacted to further clarify AB 1X 26. Section 34177.5, part of AB 1484, allows for the refinancing of certain redevelopment agency obligations to achieve debt service savings.

Proposed Refinancing

The Carson Successor Agency (Agency) has one bond issue which can achieve savings under current rates, the Agency's $26,000,000 Project Area # 4 Series 2006 Bonds. There are currently $22,740,000 in bonds outstanding that are refundable for savings. The bonds are callable at any time upon 30 day notice. As of January 24, 2018, savings are estimated at $2,112,287 million, or $1.453 million present value, representing savings of 6.39% of bonds refunded (see Exhibit C for updated savings analysis). The Carson Debt Management Policy, approved in March of 2017, states:

> *"When refinancing debt, it shall be the policy goal of the Issuer to realize, whenever possible, and subject to any overriding non-financial policy considerations, (i) minimum net present value debt service savings equal to or greater than 3.0% of the refunded principal amount, and (ii) present value debt service savings equal to or greater than 100% of any escrow fund negative arbitrage".*

The expected savings exceeds the 3% minimum, and exceeds the escrow fund negative arbitrage $31,710. Negative Arbitrage is the net cost of the escrow between the bond closing date and the bond call date 30 days later.

The term of the proposed refunding bonds will be identical to the outstanding bonds and savings are proposed to be level each year beginning in 2020. There will be no extension of bond maturities. There will also be a reimbursement for staff time from the bond issue proceeds. The bonds are expected to be rated "A-" or better by Standard and Poor's Corporation on their own. With bond insurance most of the bonds are expected to be rated "AA".

Agency staff has worked with its financing team to document the refunding bond structure and prepare the form of key legal documents and Reports required by the Dissolution

Legislation (AB 26 1X and AB 1484) for approval of the refunding pursuant to Health and Safety Code Section 34180(b). The Bond Indenture, Escrow Agreement, and a bond purchase agreement were approved by the Agency Board on December 5, 2017, and by the Oversight Board on December 11, 2017. Subsequently these documents were sent to the State Department of Finance for final approval, which was received January 29, 2018.

While it is expected that interest rates will remaining relatively stable over the next month, it is not possible to exactly predict where interest rates will be at the time the refunding bonds are sold. The bond sale is current planned for the week of February 26th. If savings are below an acceptable level of 3% on a net present value basis, no bonds will be issued.

All costs of issuance will be paid from the bond issuance proceeds as provided for under the Dissolution Legislation. The City will not be obligated to pay any costs related to the issuance of the refunding bonds. The cost of issuance for the bonds is estimated at $275,000 (inclusive of City charges for staff time and legal review) to pay for bond ratings, bond trustee and trustee counsel, bond counsel, disclosure counsel, fiscal agent, municipal advisor, verification agent, printing, and other miscellaneous costs. If the bond issuance is not completed for any reason, AB 1484 allows costs including Agency staff time to be submitted for reimbursement on future ROPS.

<u>Preliminary Official Statement & Continuing Disclosure Certificate</u>

The Preliminary Official Statement (POS, Exhibit B) 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 informed purchase decisions. 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 (Appendix F of the POS), 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.

<u>Next Steps & Timeline</u>

If the Agency Board approves the proposed resolution, the final steps of the bond issue will commence which include finalizing the bond rating and bond insurance and marketing the bonds. The underwriting team, Piper Jaffray & Co. as lead underwriter, and FTN Financial Capital Markets, Cabrera Capital Markets LLC, and Ramirez & Co, Inc. as co-underwriters will distribute the Preliminary Official Statement (POS) to their investors, a sale date will be set and a sale held. Following the sale, the underwriters will make an offer to buy the bonds from the Successor Agency; which, if acceptable, will be approved by the Successor Agency in consultation with its Municipal Advisor and Legal Counsel. The bonds are expected to be sold the week of February 26th, 2018. The closing is expected March 7, 2018.

V. FISCAL IMPACT

Other than additional property tax distribution to the City averaging an estimated $6,600 per year, there is no fiscal impact to the Successor Agency or the City 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, some costs may be submitted to the Successor Agency and DOF for reimbursement approval. The City has no responsibility to pay any third party costs.

VI. EXHIBITS

A. Resolution No. 18-02-CSA, A RESOLUTION OF THE SUCCESSOR AGENCY TO THE CARSON REDEVELOPMENT AGENCY, APPROVING THE FORM OF A CONTINUING DISCLOSURE CERTIFICATE AND PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE ISSUANCE OF THE SUCCESSOR AGENCY'S TAX ALLOCATION REFUNDING BONDS, SERIES 2018 (PROJECT AREA NO. 4) AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH (pages 5-7)

B. Preliminary Official Statement (pages 8-112)

C. Savings Analysis, updated January 24, 2018 (pages 113-128)

A.

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