



Legislation Text

File #: 20-005SA, **Version:** 1

Recommendation to adopt resolution authorizing the issuance of the Tax Allocation Refunding Bonds Series 2021 by the Successor Agency to the Redevelopment Agency of the City of Long Beach; authorize City Manager, or designee, to execute all necessary documents; and, authorize staff to take the necessary actions to complete the refunding, subject to Oversight Board approval. (Citywide)

In 2010, the Redevelopment Agency of the City Long Beach (former Redevelopment Agency) issued the following bonds: \$22,235,000 Taxable Recovery Zone Economic Development Bonds, 2010 Series A, and \$10,745,000 Taxable Build America Bonds, 2010 Series B, collectively the "Series 2010 Bonds." The Series 2010 Bonds were issued to finance capital improvements within the North Long Beach Redevelopment Project Area including construction of a new fire station, library, streetscape improvements, and renovation of a building for a new police station.

Under State law (Health and Safety Code Section 34177.5), the Successor Agency to the Redevelopment Agency of the City of Long Beach (Successor Agency) may refinance the former Redevelopment Agency's bond issues if that refinancing produces debt service savings. Staff recommends the Successor Agency issue the Tax Allocation Refunding Bonds Series 2021 (Series 2021 Bonds) to refund the outstanding principal amount of approximately \$26.3 million of the Series 2010 Bonds, and pay the cost of issuance. It is anticipated that refunding the Series 2010 Bonds will save the Successor Agency approximately \$7.3 million in interest costs throughout the life of the bonds. City staff estimates the issuance of the Series 2021 Bonds will result in (1) a true interest cost of 2.11 percent, (2) finance charges of \$426,312, (3) an escrow deposit of \$27.4 million; and, (4) total debt service of \$30.7 million.

The attached Resolution authorizes the refunding bonds to be issued by the Successor Agency and establishes parameters for the terms thereof, approves the forms of and authorizes the execution and delivery of the financing documents, including the First Supplemental Indenture of Trust (Attachment A) and Escrow Agreement (Attachment B).

The Resolution also authorizes execution of agreements with the financing team: Quint & Thimmig LLP, as Bond Counsel; Stradling, Yocca, Carlson & Rauth, as Disclosure Counsel; Keyser Marston Associates, Inc., as Fiscal Consultant; and, KNN Public Finance, as Financial Advisor.

This Resolution also requires approval by the Fourth District Consolidated Oversight Board of the City of Long Beach, as the Successor Agency to the Redevelopment Agency of the City of Long Beach, and it is scheduled for review on October 20, 2020.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on August 14, 2020 and by Budget Analysis Officer Julissa José-Murray on August 26, 2020.

Successor Agency approval is requested on September 15, 2020, to enable the County of Los Angeles Oversight Board to take action on October 20, 2020. The documents can then be submitted to the State Department of Finance, which will have up to 60 days to approve the bond issue. The current financing schedule anticipates a bond sale on January 14, 2021.

Under current market conditions, the City anticipates an annual debt service payment for the Series 2021 Bonds of approximately \$1.6 million, a reduction from the current annual payment for the Series 2010 Bonds of approximately \$2.0 million (The \$2.0 million payment is an adjusted payment taking into account annual rebates provided by the federal government under its Recovery Zone Economic Development and Build America bond programs). On average, the refunding will reduce the Successor Agency's debt service payment by approximately \$420,000 per year for the next 20 years, or generate total debt service savings with a net present value of \$7.3 million. Additionally, refunding the Series 2010 Bonds will result in an increase of the "residual" property tax distribution to all affected taxing entities. The City's share of the additional residual property tax revenue is approximately 21 percent. As a result, notwithstanding declines in property valuations, the City would expect to receive additional property tax revenues of approximately \$77,000 annually, or \$1.53 million in total over the 20-year life of the Series 2021 Bonds.

Approve recommendation.

OSCAR W. ORCI
DIRECTOR OF DEVELOPMENT SERVICES

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

THOMAS B. MODICA
CITY MANAGER