



Legislation Text

File #: 15-009SA, Version: 1

Recommendation to adopt resolution approving and authorizing the execution of various documents required to commence the refunding of various tax allocation bonds for debt service savings; and authorizing appropriate staff to take actions necessary to complete the refunding, subject to Oversight Board approval. (Citywide)

The Oversight Board elected on September 22, 2014 to participate in the County of Los Angeles Redevelopment Bond Refunding Program (County Program) and directed the Long Beach Successor Agency to commence efforts to refund certain tax allocation bonds. (Exhibit A - Staff Report)

Long Beach Successor Agency Tax Allocation Bonds

The Successor Agency (Long Beach SA) to the Redevelopment Agency of the City of Long Beach (Former RDA), has the opportunity to issue bonds to refund approximately \$184 million in tax allocation bonds issued by the Former RDA to reduce the cost of debt service payments. The bond issues proposed to be refunded were marketed through several series of revenue bonds issued by the Long Beach Bond Finance Authority: the 2002 Series A, the 2002 Series B, the 2005 Series A-1, the 2005 Series A-2, and the 2005 Series B. The bonds involve different project areas that have varying payment requirements and savings levels. Proceeds of the bonds were used by the Former RDA to construct public improvements throughout various project areas. By refunding several bonds at once, the Long Beach SA will eliminate the need for overcollateralization and will reduce additional administrative costs.

Based on current interest rates, the refunding would lower the Long Beach SA's existing debt payments by approximately \$1.69 million each year over 26 years, or \$24.3 million in today's dollars (net present value savings), which will be divided among various taxing agencies and the City. The City's General Fund would receive approximately \$360,000 of additional property tax each year. These estimates may change based on market conditions at the time of sale.

Legal Documents

The following documents have been prepared for the refunding and are being submitted for approval by a resolution of the Long Beach SA.

Long Beach SA Resolution. This resolution authorizes and describes the repayment terms for the refunding bonds to be issued by the Long Beach SA (Agency Bonds) and approves the forms of additional documents outlined below, as well as the form of the Long Beach SA's

disclosure appendix.

Indenture of Trust. The indenture describes the security and repayment terms of the Agency Bonds and the legal obligations of the Long Beach SA.

Local Obligation Purchase Contract. The purchase contract describes the price and conditions under which the County of Los Angeles Redevelopment Refunding Authority (County Authority) will purchase the Agency Bonds and the obligations of the Long Beach SA to the County Authority.

Continuing Disclosure Agreement. The agreement outlines the obligations of the Long Beach SA and the County Authority to provide ongoing disclosure to bond investors, including the filing of annual reports and event notices in a timely manner.

Trust Agreement. The Trust Agreement describes the security and repayment terms of the bonds to be issued by the County Authority (Authority Bonds), and the covenants of the County Authority to repay the Authority Bonds.

Bond Purchase Agreement and Letter of Representations. The Bond Purchase Agreement outlines the conditions under which the bond underwriters will purchase the County Authority Bonds. The Letter of Representations describe the representations that the Long Beach SA will make to the County Authority and the bond underwriters.

Official Statement and Long Beach SA Disclosure Appendix. The Official Statement (in its preliminary and final form) is used to summarize the bond structure and obligations, and market the County Authority Bonds to investors. The Long Beach SA's disclosure appendix is included in the Official Statement.

Oversight Board Resolution. After the financing is approved by the Long Beach SA, it must be approved by the Oversight Board. A resolution has been prepared for the Oversight Board to provide such approval.

Ongoing Role of the Long Beach SA, County, County Authority and City

The Long Beach SA will have the following responsibilities, most of which are existing obligations: (1) including the scheduled debt service and other eligible costs associated with the refunding bonds on the Recognized Obligation Payment Schedule (ROPS) to be intercepted by the County; (2) filing audited financial statements annually; (3) monitoring redevelopment plan limits and taking appropriate action, if necessary; (4) monitoring any federal arbitrage rebate liability; (5) taking corrective legal action if a change in State law or a Court decision prevents the required Redevelopment Property Tax Trust Fund (RPTTF) revenue from being remitted to the bond trustee; (6) based on data to be provided by the County, prepare annual continuing disclosure reports, and (7) indemnify the County Authority, the County and the underwriters with respect to any losses they may incur, with respect to the

Long Beach SA's redevelopment projects and the County Program.

The County will remit directly from the County-held Long Beach SA RPTTF to the trustee the authorized amounts on the Long Beach SA's ROPS for payment of the refunding bonds' debt service. The County Authority will agree to annually provide the Long Beach SA with the data obtained from the County so that the Long Beach SA can complete its required annual continuing disclosure reports for the refunding bonds, as well as the bonds of the Long Beach SA not being refunded.

The City will have no obligation or responsibility whatsoever with respect to the repayment of the refunding bonds or any other aspect of the refunding bond program.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on February 23, 2015 and by Budget Management Officer Victoria Bell on February 20, 2015.

Authorization by the Long Beach SA is requested on March 17, 2015, to enable the Oversight Board to take action on March 30, 2015. The documents can then be submitted to the State Department of Finance, which has up to 65 days to approve them. The current schedule anticipates a bond sale on June 10, 2015.

Under current market conditions, the refunding will reduce existing Long Beach SA debt service payments by approximately \$1.69 million each year over 26 years, or by a total of \$24.3 million in today's dollars (net present value basis). This will increase 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, the City's General Fund would expect to receive additional property tax revenues of approximately \$360,000 annually or \$5 million in total (net present value basis). The loss in administrative allowance to the Long Beach SA would be approximately \$50,000 each year. To the extent that the Long Beach SA may supplement its administrative budget with other available income, this reduction will not be a problem, however, the State Department of Finance has proposed legislation that would prohibit the use of other funds available to successor agencies for administrative purposes. If this is the case, the Long Beach SA is not expected to be able to absorb all of the administrative allowance loss and some of that loss, potentially about \$25,000, will need to be offset by the additional property tax. If the offset becomes necessary, the net benefit to the City's General Fund would be approximately \$335,000 annually.

Approve recommendation.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH, ACTING AS THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH, AUTHORIZING THE ISSUANCE OF ITS SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH TAX ALLOCATION REFUNDING BONDS, IN ONE OR MORE SERIES; AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE, A LOCAL OBLIGATION PURCHASE CONTRACT, A

CONTINUING DISCLOSURE AGREEMENT AND THE PREPARATION OF AN OFFICIAL
STATEMENT AND OTHER MATTERS RELATED THERETO

AMY J. BODEK
DIRECTOR OF DEVELOPMENT SERVICES

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER