

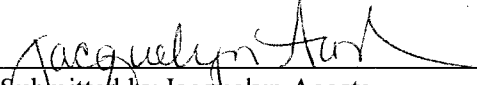


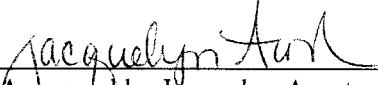
City of Carson

Report to Successor Agency

September 17, 2013
New Business Discussion

SUBJECT: CONSIDER REFUNDING OF BONDS TO ACHIEVE DEBT SERVICE SAVINGS


Submitted by Jacquelyn Acosta
Acting Executive Director


Approved by Jacquelyn Acosta
Acting Executive Director

I. SUMMARY

At its meeting of July 22, 2013, the Oversight Board to the Dissolved Carson Redevelopment Agency (Board) adopted Resolution No. OBSA13-04 directing the commencement of a refunding of certain outstanding bonds to achieve debt service savings (Exhibit No. 1).

This Board action conforms to Section 34177.5 of Assembly Bill No. 1484 (AB 1484) that allows for the refinancing of certain redevelopment agency obligations to achieve debt services savings.

II. RECOMMENDATION

TAKE the following actions:

1. AUTHORIZE staff to proceed and assemble a team to complete the process.
2. APPROVE the selection of Orrick, Herrington & Sutcliffe LLP and Aleshire & Wynder LLP to serve as Co-Bond Counsel.
3. APPROVE the selection of Jones Hall to serve as Disclosure Counsel.

III. ALTERNATIVES

TAKE another action the Successor Agency deems appropriate.

IV. BACKGROUND

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. The Carson Redevelopment Agency (CRA) was a thriving redevelopment agency with many projects in the works and many obligations outstanding at the time. 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. The former Carson Redevelopment Agency has five bond issues which could achieve savings under current rates. The Successor Agency's independent financial advisor and staff have preliminarily reviewed potential saving scenarios with potential underwriters. There are

currently \$51 million in bonds outstanding that are refundable. Based on underwriting proposals received, as of September 3, 2013, savings are conservatively estimated at \$4.4 million, or \$2.8 million Present Value representing savings of 5.6% of bonds refunded. Most City and County debt policies identify a 3% minimum as acceptable savings. Since September 3rd, interest rates have declined even further.

Since late June bond markets have been volatile in anticipation of changes in Federal Reserve Policy, a stronger economy and concerns in the municipal market, among other things. The Municipal Market Index increased almost ¼% in August, thus reducing savings and spreads for issues less than “AAA,” like those in Carson. All of the Carson refunding candidates identified herein have bond ratings in the “A” category. It is not possible to predict where interest rates will be at the time the refunding bonds are ready to be sold. It will take between three and four months to prepare for the issuances inclusive of up to 65 days to obtain State Department of Finance (DOF) approval. Federal Reserve Policy and the performance of the economy between now and then will likely determine the ultimate level of savings, if any. Interest rates will be higher or lower or maybe unchanged. If savings are insufficient, no bonds will be sold. The County would distribute debt service savings to the City and other taxing entities.

Health and Safety Code Section 34177.5(f), provides that the Oversight Board may direct the Successor Agency to issue bonds to refund the bonds of the Original Agency to provide debt service savings to the Successor Agency.

The Board directed the Agency to refund the bonds where appropriate savings are achievable and if the Successor Agency agrees. The Board approved this action on July 22, 2013. AB 1484 also allows a Successor Agency to recoup costs associated with the financings if the Board directs the refinancing. The approximate cost of the bond issuance, including underwriter’s discount, legal and consultant fees as well as staff time, should be about \$200,000.00 per series of bonds issued.

As outlined in Exhibit No. 1, the Board (a) directed the Successor Agency to effectuate the refinancing of the five bond issues and any other bond issue where potential savings can be achieved and return to the Board for approval following Agency approval of all the documents, (b) authorized the costs of issuance to be recovered through the bonds (if issued) or on the Recognized Obligation Payment Schedule (if the bonds are not issued). Exhibit No. 2 is an analysis of the estimated savings that could be achieved through this process which has been provided by Stifel (formerly Stone & Youngberg), one of the responders to the underwriter RFP. Estimated annual savings as of August 29, 2013, are about \$357,000.00. Carson’s share would be approximately \$25,000.00 per year, or

\$360,000.00 over the term of the refunding. However, market conditions have improved since August 29th.

Health & Safety Code Section 34177.5 (a) (1) describes the conditions which are necessary to issue refunding bonds:

"For the purpose of issuing bonds or incurring other indebtedness to refund the bonds or other indebtedness of its former redevelopment agency or of the successor agency to provide savings to the successor agency, provided that (A) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (B) the principal amount of the refunding bonds or other indebtedness shall not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance."

In other words, the Successor Agency may not issue bonds that would increase the overall cost of the bond or create additional bond proceeds. The Successor Agency will consider the proposal to refund the prior bonds at a subsequent meeting and, if approved, provide for all the documentation related to the Bonds.

The Successor Agency must be able to recover its related costs in connection with the transaction. The CRA issued the following Prior Bonds as outlined on Resolution No. OBSA-13-04:

- (a) \$11,800,000.00 original principal amount of Carson Redevelopment Agency Tax Allocation Bonds, 2003 Series C (Carson Merged and Amended Project Area);
- (b) \$4,195,000.00 original principal amount of Carson Redevelopment Agency Tax Allocation Subordinate Bonds, 2003 Series B (Carson Merged and Amended Project Area);
- (c) \$18,500,000.00 original principal amount of Carson Redevelopment Agency Tax Allocation Refunding Bonds, Series 2003 A (Carson Merged and Amended Project Area);
- (d) \$3,155,000.00 original principal amount of Carson Redevelopment Agency Tax Allocation Bonds, Series 2003 A (Redevelopment Project Area No. 1); and

- (e) \$32,495,863.00 original principal amount of Carson Redevelopment Agency Tax Allocation Bonds, Series 2003 B (Redevelopment Project Area No. 1).

Once the refunding issue and related documents have been prepared, the Board and the Successor Agency will be presented with the results and asked to consider approval of the refunding pursuant to Health and Safety Code Section 34180(b). This action is expected by November. If approved, the documents will be submitted to the DOF for final approval with a bond sale possible by early 2014.

To move forward with the bond refunding described above, the Successor Agency's financial consultant, C.M. de Crinis & Co., Inc., circulated a Request for Proposals (RFP) to the well-regarded bond and/or disclosure counsel firms. Five firms submitted proposals in response to the RFP:

FIRM	ADDRESS
Aleshire & Wynder LLP	2361 Rosecrans Avenue, #475 El Segundo, CA 9045-4916
Fulbright & Jaworski LLP	555 S. Flower Street, 41 st Floor Los Angeles, CA 90071
Jones Hall	650 California Street, 18 th Floor San Francisco, CA 94108
Orrick, Herrington & Sutcliffe LLP	777 S. Figueroa Street, #3200 Los Angeles, CA 90017
Stradling Yocca Carlson & Rauth	660 Newport Center Drive, #1600 Newport Beach, CA 92660

Successor Agency staff reviewed the five responses for experience with post dissolution financing and fees, and recommend that the Successor Agency select the firms of Orrick, Herington & Sutcliffe LLP and Aleshire & Wynder LLP to provide Co-Bond Counsel services and the firm of Jones Hall to provide Disclosure Counsel services. Aleshire & Wynder will also serve as Agency Counsel on the Bond Issuances. A copy of each response proposal is available for review at tonight's meeting and upon request at the Community Development Department.

One of the next step will be to retain one or more bond underwriters. To keep the process moving, the Successor Agency staff issued an RFP in early August. Seven responses were received from highly qualified firms and each proposal received is under review by Successor Agency staff and the financial consultant. Successor Agency staff will present the RFP results at the next Successor Agency meeting and recommend to the Successor Agency the selection of an underwriter.

V. FISCAL IMPACT

Potential debt service savings of \$25,000.00 annually to the City's general fund and \$332,000.00 annually to the other taxing entities.

VI. EXHIBITS

1. Resolution No. OBSA13-04. (pgs.6-9)
2. Estimated Savings Analysis. (pgs.10-11)

Prepared by: Linda F. Mann, Principal Administrative Analyst

TO: Rev06-19-2013

Reviewed by:

City Clerk	City Treasurer
Administrative Services	Public Works
Community Development	Community Services

Action taken by City Council

Date _____ Action _____

RESOLUTION NO. OBSA13-04

A RESOLUTION OF THE OVERSIGHT BOARD TO THE FORMER CARSON REDEVELOPMENT AGENCY OF THE CITY OF CARSON, CALIFORNIA, DIRECTING THE COMMENCEMENT OF A REFUNDING OF CERTAIN OUTSTANDING BONDS TO ACHIEVE DEBT SERVICE SAVINGS

WHEREAS, California Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") adopted on June 29, 2011, dissolved all redevelopment agencies and community redevelopment agencies in existence in the State of California, as of February 1, 2012, and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies; and

WHEREAS, Assembly Bill No. 1484, a follow on bill to AB1X 26, was enacted on June 27, 2012 and provides a mechanism to refund tax allocation bonds under certain circumstances; and

WHEREAS, pursuant to California Health and Safety Code Section 34173(d), the Carson Successor Agency is the successor agency (the "Successor Agency") to the dissolved Carson Redevelopment Agency (the "Original Agency") with respect to the Original Agency's outstanding bonds, confirmed by Resolution No. 12-003 adopted by the City Council of the City of Carson on January 9, 2012; and

WHEREAS, Health and Safety Code Section 34179(a) provides that each successor agency shall have an oversight board composed of seven members; and

WHEREAS, the Successor Agency has a duly established oversight board (the "Oversight Board") pursuant to Health and Safety Code Section 34179(a); and

WHEREAS, the Oversight Board, pursuant to Health and Safety Code Section 34177.5(f), may direct the Successor Agency to issue bonds to refund the bonds of the Original Agency to provide debt service savings to the Successor Agency; and

WHEREAS, an oversight board may only direct such a refunding so long as the successor agency is able to recover its related costs in connection with the transaction, including costs of financial advisors, consultants, counsel and staff related to the refunding; and

WHEREAS, the recovery of such costs in connection with such a refunding transaction shall be supplemental to, and not constrained by, the administrative cost allowance as such allowance is defined in Health and Safety Code Section 34171(b); and

WHEREAS, the Oversight Board is informed by the Successor Agency staff that, the Original Agency issued the following Bonds, among others (collectively referred to herein as the "Prior Bonds"):

- (a) \$18,500,000 original principal amount of Carson Redevelopment Agency Tax Allocation Refunding Bonds, Series 2003 A (Carson Merged and Amended Project Area); and

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EXHIBIT NO. 01



- (b) \$4,195,000 original principal amount of Carson Redevelopment Agency Tax Allocation Subordinate Bonds, 2003 Series B (Carson Merged and Amended Project Area); and
- (c) \$11,800,000 original principal amount of Carson Redevelopment Agency Tax Allocation Bonds (Carson Merged and Amended Project Area), 2003 Series C; and
- (d) \$3,155,000 original principal amount of Carson Redevelopment Agency Tax Allocation Bonds (Redevelopment Project Area No. 1), Series 2003; and
- (e) \$32,495,863 original principal amount of Carson Redevelopment Agency (Redevelopment Project Area No. 1) Tax Allocation Bonds, Series 2003 B; and

WHEREAS, some or all of the Prior Bonds are subject to optional redemption on or after October 1, 2013 and may be prepaid and refunded; and

WHEREAS, Successor Agency staff have indicated that there are potential debt service savings that can be achieved through a refinancing of the Prior Bonds, and has requested direction from the Oversight Board, and the Oversight Board now wishes to direct the Successor Agency to prepare for the refunding of all or a portion of the Prior Bonds, and such other bonds of the Original Agency or issuer (if other than the Original Agency) for the benefit of the Original Agency as may be hereafter identified, to achieve debt service savings; and

WHEREAS, interest rates are at historically low levels and it is beneficial to all taxing entities to undertake a refunding of the Prior Bonds assuming certain debt service refinancing thresholds are met as determined by the Successor Agency and the Oversight Board upon approval of the refunding documents and meeting the conditions set forth in Section 34177.5(a)(1); and

WHEREAS, pursuant to Health and Safety Code Section 34177.5, the Successor Agency or another issuer on behalf of the Successor Agency may undertake to refund the Prior Bonds upon the direction of the Oversight Board.

NOW THEREFORE, THE OVERSIGHT BOARD TO THE FORMER CARSON REDEVELOPMENT AGENCY OF THE CITY OF CARSON, CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Request for Refunding. Pursuant to Health and Safety Code Section 34177.5(f), the Oversight Board hereby requests the Successor Agency to prepare to issue bonds (the "Refunding Bonds"), which bonds may be sold at a public or private sale or to a joint powers authority pursuant to the Marks-Roos Local Bond Pooling Act (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code) following a determination by the Successor Agency to refund all or a portion of the Prior Bonds; provided that this request shall not offer any assurance that bonds will be sold by the issuer or Successor Agency and provided further that the Successor Agency approve of such refunding at a subsequent meeting. The Successor Agency is further requested to return to the Oversight

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Board, once the refunding issue and related documents have been prepared and approved by the Successor Agency, for approval of the refunding pursuant to Health and Safety Code Sections 34180(b) and 34177.5. The Successor Agency may request subordinations permitted pursuant to Health and Safety Code Section 33417.5(c). This request constitutes direction to the Successor Agency pursuant to Health and Safety Code Section 34177.5(f).


Section 3. Recovery of Costs. The Successor Agency shall be authorized to commence a validation proceeding pursuant Health and Safety Code Section 34177.5(d) and Section 860 of the Government Code if the Successor Agency or its counsel determines to initiate such action.

Section 4. Recovery of Costs. The Oversight Board hereby authorizes and approves the Successor Agency to cover reasonable related costs incurred in connection with this transaction. The Successor Agency may recover such costs from the proceeds of the Refunding Bonds or, if the Successor Agency is not able to issue its bonds or the issuer is not able to issue its bonds relating to the Successor Agency, by including such costs in a future Recognized Obligation Payment Schedule. The recovery of such costs shall be in addition to and shall not count against any administrative cost allowance of the Successor Agency as such allowance is defined in Health and Safety Code Section 34171(b). The Successor Agency shall provide information and appropriate contractual obligations in connection with the costs of issuance at the time of approval of the documents relating to the refunding.

Section 5. Severability. If any provision of this Resolution or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution that can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The Oversight Board declares that the Oversight Board would have adopted this Resolution irrespective of the invalidity of any particular portion of this Resolution.

Section 6. Effective Date. Pursuant to Health and Safety Code Section 34179(h), all actions taken by the Oversight Board may be reviewed by the California Department of Finance and, therefore, this Resolution shall be effective five (5) business days after notice to the Department of Finance unless the Department requests a review of the actions taken in this Resolution, in which case this Resolution will be effective upon approval by the Department.

PASSED, APPROVED and ADOPTED this 22nd day of July, 2013.


Chair Jim Dear

ATTEST:


Secretary Susan S. Nursement

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STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss.
CITY OF CARSON)

I, Susan S. Nursement, Secretary of the Oversight Board to the Former Carson Redevelopment Agency, do hereby certify that the whole number of members of the Board is seven; that the foregoing resolution, being Resolution No. OBSA13-04 was duly and regularly adopted by said Board at a meeting of the Oversight Board, duly held on the 22nd day of July, 2013, and that the same was passed and adopted by the following vote:

AYES: BOARD MEMBERS: Dear, Curry, Gray, Hidalgo, Kaji and Sztorch

NOES:

ABSENT: BOARD MEMBER: Walsh


Secretary Susan S. Nursement



Savings Summary

Appendix A includes supporting schedules for Stifel's refunding analysis, including projected debt service coverage tables using our estimate of Pledged Tax Revenues available from the two redevelopment areas. We have summarized the saving in the tables below. We have also graphed the resulting aggregate debt service for each area.

Project No. 1

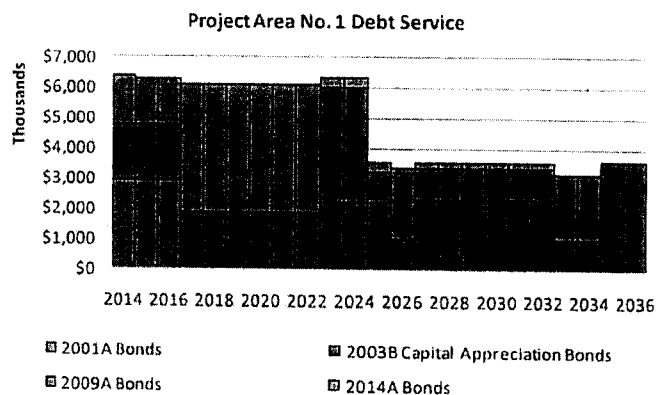
Refunding Opportunities for: Project Area No. 1	Series 2003A	Series 2003B	AGGREGATE
Par Amount of Original Bonds	\$3,155,000	\$32,495,863	\$35,650,863
Par Amount of Refunded Bonds	\$1,540,000	\$26,850,000	\$28,390,000
Refunding Highlights			
Par Amount of Refunding Bonds	\$1,500,000	\$25,465,000	\$26,965,000
True Interest Cost ("TIC")	3.05%	4.25%	4.21%
Final Maturity	10/1/2034	10/1/2034	10/1/2034
Net PV Savings	\$66,192	\$1,583,727	\$1,649,919
% PV Svgs. of Refunded Bonds	4.30%	6.22%	6.12%
Gross Nominal Savings	\$56,718	\$3,073,209	\$3,129,927
Average Annual Savings	\$7,546	\$153,637	\$156,279

Note: Above figures assume February 5, 2014 closing date, August 29, 2013 market conditions, estimated underlying rating of "A-" by S&P, 100% cash funded reserve fund, estimated costs of issuance and current refunding of the bonds.

Please refer to Appendix A for more detail on Average Annual Savings as it relates to the 2003B Bonds: approximately \$290k in 2017-2022, \$236k in 2026 and \$400k in 2033-2034.

Understanding that there is a shared reserve fund among the 2001 Bonds, the 2009 Bonds and the proposed Refunding Bonds, we have sized the new debt service reserve to be the lesser of the three test (125% of Average Annual Debt Service) on the combined aggregate debt service, minus the amount that was contributed to a Reserve Account from the proceeds of the 2001 Bonds and the 2009 Bonds per those offerings' Official Statement.

The graph to the right illustrates the combined debt service of bonds whose primary pledge is the former Project No. 1 tax increment.



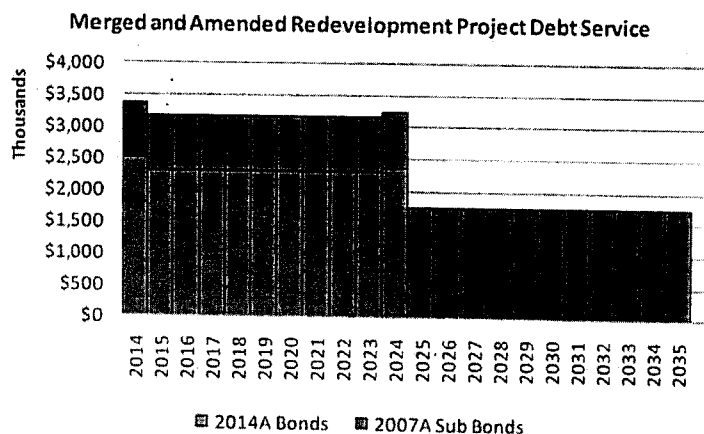
Merged and Amended Project

Refunding Opportunities for: Merged and Amended Redevelopment Project	Series 2003A	Series 2003B	Series 2003C	AGGREGATE
Par Amount of Original Bonds	\$18,500,000	\$4,195,000	\$11,800,000	\$34,495,000
Par Amount of Refunded Bonds	\$10,720,000	\$2,455,000	\$7,885,000	\$21,060,000
Refunding Highlights				
Par Amount of Refunding Bonds	\$9,935,000	\$2,255,000	\$7,675,000	\$19,865,000
True Interest Cost ("TIC")	3.16%	3.16%	3.61%	3.36%
Final Maturity	10/1/2024	10/1/2024	10/1/2024	10/1/2024
Net PV Savings	\$751,677	\$96,938	\$461,161	\$1,309,776
% PV Svgs. of Refunded Bonds	7.01%	3.95%	5.85%	6.22%
Gross Nominal Savings	\$1,274,896	\$190,330	\$555,355	\$2,020,581
Average Annual Savings	\$141,509	\$20,765	\$55,102	\$201,148

Note: Above figures assume February 5, 2014 closing date, August 29, 2013 market conditions, estimated underlying rating of "AA-" by S&P, 100% cash funded reserve fund, estimated costs of issuance and current refunding of the bonds.

Please refer to Appendix A for more detail on Average Annual Savings as it relates to the 2003C Bonds: approximately \$45k in 2014-2023 and \$143k in 2024.

The graph to the right illustrates the combined debt service of bonds whose primary pledge is the former Merged and Amended Redevelopment Project tax increment.



7. Please provide an underwriting fee proposal for each of series bonds as described herein. Please breakout your proposed takedown, expenses and management fee. Please be advised that bond counsel will require certain representations from the managing underwriter with regard to the initial pricing and actual yields to the public.

The tables on the following page summarize our proposed underwriting fee assuming the refunding of the Prior Bonds highlighted in the City's Request for Proposal. We note that the certain expenses are a fixed fee that could increase as a % of principal if the issue size changes materially. We further note that the takedowns reflect ratings of "A-" or better for the Project No. 1 Refunding Bonds and "AA-" or better for the Merged and Amended Refunding Bonds.