Successor Agency
Agenda Report

To: City Council via City Manager

From: Stuart Schillinger, Administrative Services Director

Subject: Potential refunding of the Brisbane Public Financing Authority 2001A Bonds which refinanced the Brisbane Marina Bonds

Date: November 18, 2013

Purpose:

Reduce the annual debt service payments on the bonds used to pay for the Marina which generates additional funds to all of the underlying taxing entities.

Recommendation:

Receive the report and direct staff to continue the process of refunding the 2001A BPFA Bonds.

Background:

The Marina was a long term development begun around 1979 with funding for BCDC permits and completed in 1984. The City of Brisbane became "trustee" of certain tide and submerged lands (State Granted Lands) September 14, 1982 and amended September 1983. The dredging, breakwater, docks, and buildings were funded with Redevelopment Project Area #1 tax increment.

In 1981 Tax Anticipation Notes were issued to fund the Marina Dredging. In 1982 Leasehold Mortgage Revenue Bonds were issued to Refund the Tax Anticipation Notes and to fund the Berth Construction.

In 1981 Bond Anticipation Notes were issued for the Breakwater Construction.

In 1984 the RDA issued Tax Allocation Bonds to refund the Leasehold Mortgage and the Bond Anticipation Notes.

In 2001 the RDA issued bonds to refund the 1984 Tax Allocation Bonds and the 1984 Lease/Leaseback Agreement. The Brisbane Public Financing Authority purchased these bonds and issued the 2001 Series A bonds to the general public using the RDA 1 payments as the source funds to pay off its debt. The amount of the RDA bonds was $15 million with a 12% interest rate. The Brisbane Financing Authority Bonds were for $26,300,000 at an interest rate which varied from 4.00% to 6.20%.

In August of 2006 the City began the process to refinance both the RDA 1 bonds and the BPFA 2001 Series A bonds with a single bond. This refinancing would have saved the Redevelopment Agency $1,200,000 over the life of the bonds. The Bank of the West bid on selling the bonds however, backed out of the deal due to the potential lawsuit from the Community College District. The City then explored other options for refinancing but was unable to proceed due to the pending lawsuit from the Community College District. In 2010 the Community College District dropped their lawsuit. In 2011 the State eliminated Redevelopment Agencies. In 2013 the Successor Agency had its Due Diligence Review approved by the Oversight Board. This was the final hurdle for closing down the former RDA and turning over all of the remaining assets and liabilities to the Successor Agency.

On February 4, 2013 staff brought the idea of refinancing the existing Tax Allocation Bonds and Brisbane Public Financing Authority Bonds at a lower interest with no extension in pay-off period. It was estimated based on current interest rates that there would be a savings of approximately $185,000 a year. The Oversight Board approved the refinancing and the information was sent to the Department of Finance. The Department of Finance approved the refinancing as well.

In September the Successor Agency received notification from the County Controller's office that it would receive $652,000 less than anticipated in its January RPTTF (Redevelopment Property Tax Trust Fund) payment. This is due to a refund owed Walmart.Com for unsecured property taxes it overpaid. It had declared computer equipment as being in Brisbane when in fact it had moved out of state. This is a one-time change in our revenue and will not impact future revenues.

Discussion:

The outcome of this is the Successor Agency will not have enough money to pay its existing May bond payment, nor to make the bond payment for the refunding bond as originally structured. Our Financial Advisor, Marty Johnson, working with our lead underwriter Piper Jaffray developed a new payment structure for the bonds which would front load the savings to create a bond payment that can be covered from the amount of money we expect to receive from the RPTTF with smaller amounts of annual savings in the following years. The proposed schedule is attached.

Since this structure fits within the broad approval previously given by the Oversight Board and the Department of Finance it is not anticipated we would go back to them except as informational updates.

Another variation on the bond structure has presented itself within the last week which our Financial Advisor and Bond Counsel are pursuing, a private placement with a bank. There is no pro forma for this scenario yet. The advantage of this opportunity is the bank would not need a reserve fund which would reduce the amount we would need to borrow by about $2,000,000. This does not significantly impact the overall cost savings in today's dollars but it does create additional savings of $150,000 to $200,000 annually. These savings are created by "utilizing" the reserve fund over the life of the issue instead of making the payment in the last year. The challenge with a private placement is obtaining credit approval. The last two times the City has done a private placement issues have arisen during the credit review and it caused delays in the ultimate sale of the bonds. If it turns out that this private placement is in the best interest of the Successor Agency we will bring the new bond deal back to the Agency's Board.

Fiscal Impact:

Refinancing the Tax Allocation Bonds and BPFA bonds will allow us to make the payments as required with the anticipated RPTTF distributions.

Attachments:

Revised repayment schedule.

Stuart Schillinger
Administrative Services Director

Clay Holstine
City Manager

Brisbane Successor Agency, California
Tax Allocation Refunding Bonds, Series 2013
Debt Service Savings and Summary Schedule

Date	Principal	Rate	Interest	Annual Debt Service	Refunded Debt Service	Cashflow Savings
12/17/2013						
02/01/2014	420,000	2.000%	101,872.22	521,872.22	1,221,677.50	699,805.28
08/01/2014			412,550.00			
02/01/2015	1,205,000	3.000%	412,550.00	2,030,100.00	2,048,387.50	18,287.50
08/01/2015			394,475.00			
02/01/2016	1,240,000	4.000%	394,475.00	2,028,950.00	2,045,852.50	16,902.50
08/01/2016			369,675.00			
02/01/2017	1,295,000	4.000%	369,675.00	2,034,350.00	2,050,975.00	16,625.00
08/01/2017			343,775.00			
02/01/2018	1,345,000	4.000%	343,775.00	2,032,550.00	2,047,412.50	14,862.50
08/01/2018			316,875.00			
02/01/2019	1,400,000	3.000%	316,875.00	2,033,750.00	2,050,165.00	16,415.00
08/01/2019			295,875.00			
02/01/2020	1,440,000	5.000%	295,875.00	2,031,750.00	2,047,575.00	15,825.00
08/01/2020			259,875.00			
02/01/2021	1,515,000	5.000%	259,875.00	2,034,750.00	2,048,442.50	13,692.50
08/01/2021			222,000.00			
02/01/2022	1,585,000	5.000%	222,000.00	2,029,000.00	2,046,425.00	17,425.00
08/01/2022			182,375.00			
02/01/2023	1,670,000	5.000%	182,375.00	2,034,750.00	2,050,322.50	15,572.50
08/01/2023			140,625.00			
02/01/2024	1,750,000	5.000%	140,625.00	2,031,250.00	2,047,735.00	16,485.00
08/01/2024			96,875.00			
02/01/2025	1,840,000	5.000%	96,875.00	2,033,750.00	2,047,462.50	13,712.50
08/01/2025			50,875.00			
02/01/2026	1,930,000	5.000%	50,875.00	2,031,750.00	2,047,105.00	15,355.00
08/01/2026			2,625.00			
02/01/2027	105,000	5.000%	2,625.00	110,250.00	114,262.50	4,012.50
08/01/2027		5.000%	0.00		113,135.00	113,135.00
	18,740,000		6,278,822.22	25,018,822.22	26,026,935.00	1,008,112.78
					Net Reserve Cash	(311,154.63)
					Net Savings	696,958.15