

*Oversight Board for the
Successor Agency for the Former
Brisbane RDA
Agenda Report*

To: Oversight Board

From: Administrative Services Director

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

Date: February 13, 2013

Purpose:

Reduce the payment of the bonds used to pay for the Marina and return additional funds to all of the underlying taxing entities.

Recommendation:

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

Staff has been working with its Financial Advisor Johnson and Associates to determine the feasibility of refinancing either the RDA or the BPFA bonds in order to save the taxpayers' money.

Discussion:

According to information provided by our Financial Advisor the City could save about \$185,000 a year by refunding the existing BPFA bonds. This would net to about \$1,600,000 in net present value savings. The interest rate on the bonds would be approximately 4.3%. The \$185,000 savings would reduce the amount of money the BPFA would need from the Redevelopment Agency thereby freeing up cash to ensure the RDA was able to make its full payment to the City for administering the Successor Agency and potentially leave some available cash to be returned to the underlying taxing entities.

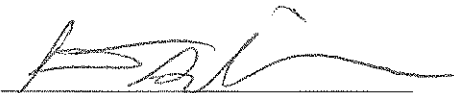
One issue which is outstanding in refinancing the current bonds is; Morgan Stanley has approached the Community College District to do a County-wide refinancing of all outstanding Redevelopment Agency Bonds within the County. This could potentially save the BPFA and our Successor Agency some money in issuance costs. According to our Financial Advisor if interest rates increased 17 basis points we would pay more in interest than we would save in issuance costs. A basis point is one one-hundredth of a percent. So if interest rates went up to 4.47% we would save less money. It is unknown what interest rates will do in the future. It is also unknown how long it would take Morgan Stanley and the Community College District to put a County-wide deal together. Additionally, the security for a County-wide issue would need to be worked out. The City by going it alone could get the bonds sold sometime before the end of this fiscal year.

Fiscal Impact:

Refinancing the BPFA 2001 A bonds could save the community \$185,000 a year or \$1,600,000 net present value savings over the life of the bonds.

Measure of Success

Saving the community \$185,000 a year.



Stuart Schillinger
Administrative Services Director