

# *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: December 16, 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 prior to 2010. 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.

In November staff presented the idea that instead of publicly offering the bonds through Piper-Jaffary; Western Alliance Bank would purchase the refunding bonds directly.

**Discussion:**

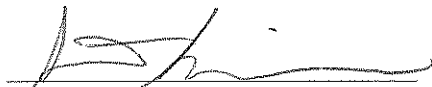
Western Alliance Bank is taking the deal through its credit approval process. The Successor Agency will find out their decision on Friday (December 13<sup>th</sup>). Since the exact structure of the proposal will not be known until after that date, our Financial Advisor has provided us with pro forma savings estimates. The reason for considering the change in the sale method is the ability to eliminate the reserve fund with the Bank. This reduces the amount needed to be borrowed by about \$2,000,000 which saves a little bit on overall interest cost but more significantly reduces the annual bond payments creating additional cash flow benefit over the life of the refunding bonds. This benefit is created by "utilizing" the reserve fund over the life of the issue instead of using it to make the payment in the last year. Our Bond Counsel has developed the necessary resolutions for the Agency and the Oversight Board to approve.

**Fiscal Impact:**

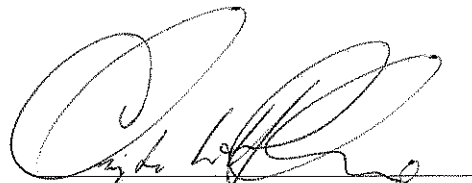
Refinancing the Tax Allocation Bonds and BPFA bonds will allow us to make the payments as required with the anticipated RPTTF distributions and generate debt service savings.

**Attachments:**

Revised repayment schedule.  
Resolution



Stuart Schillinger  
Administrative Services Director



Clay Holstine  
City Manager

**SUCCESSOR AGENCY OF THE  
REDEVELOPMENT AGENCY OF THE CITY OF BRISBANE**

**RESOLUTION NO. 2013-07**

**RESOLUTION AMENDING RESOLUTION NO. SA 2013-04 ADOPTED ON  
JUNE 17, 2013, AUTHORIZING THE ISSUANCE AND SALE OF TAX  
ALLOCATION REFUNDING BONDS TO REFINANCE REDEVELOPMENT  
AND LOW AND MODERATE INCOME HOUSING ACTIVITIES WITHIN  
AND FOR THE BENEFIT OF THE REDEVELOPMENT PROJECTS OF THE  
FORMER REDEVELOPMENT AGENCY OF THE CITY OF BRISBANE AND  
APPROVING RELATED DOCUMENTS AND ACTIONS**

RESOLVED, by the Successor Agency of the Redevelopment Agency of the City of Brisbane (the "Successor Agency"), as successor to the former Redevelopment Agency of the City of Brisbane (the "Agency") as follows:

WHEREAS, the Agency was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the California Health and Safety Code (the "Law"), including the power to issue bonds for any of its corporate purposes;

WHEREAS, a redevelopment plan for the Brisbane Community Redevelopment Project Area Number One in the City of Brisbane, San Mateo County, California ("Redevelopment Project No. 1"), has been adopted in compliance with all requirements of the Law;

WHEREAS, a redevelopment plan for the Brisbane Community Redevelopment Project Area Number Two in the City of Brisbane, San Mateo County, California ("Redevelopment Project No. 2" and, with Redevelopment Project No. 1, the "Redevelopment Projects"), has been adopted in compliance with all requirements of the Law;

WHEREAS, the Agency has previously issued its Redevelopment Agency of the City of Brisbane, 1998 Tax Allocation Bonds (Housing Set-Aside Revenues—Tower Site Senior Housing), originally issued in the principal amount of \$1,660,000 to finance low and moderate income housing activities within and for the benefit of the Redevelopment Projects, of which \$1,115,000 principal amount remains outstanding (the "1998 Agency Bonds");

WHEREAS, the Agency has also previously issued its Redevelopment Agency of the City of Brisbane, Brisbane Community Redevelopment Project Area Number One, 2001 Tax Allocation Bonds, originally issued in the principal amount of \$15,000,000 to refinance redevelopment activities within and for the benefit of Redevelopment Project No. 1, of which \$12,415,000 principal amount remains outstanding (the "2001 Agency Bonds");

WHEREAS, the Brisbane Public Financing Authority (the "Authority") has previously issued its Brisbane Public Financing Authority 2001 Revenue Bonds (Brisbane Community Redevelopment Project Area Number One), originally issued in the principal amount of \$26,300,000, the proceeds of which were used to purchase the 2001 Agency Bonds, of which \$17,985,000 principal amount remains outstanding (the "2001 Authority Bonds");

WHEREAS, on June 28, 2011, the California Legislature adopted ABx1 26 (the "Dissolution Act") and ABx1 27 (the "Opt-in Bill");

WHEREAS, the California Supreme Court subsequently upheld the provisions of the Dissolution Act and invalidated the Opt-in Bill resulting in the Agency being dissolved as of February 1, 2012;

WHEREAS, the powers, assets and obligations of the Agency were transferred on February 1, 2012 to the Successor Agency;

WHEREAS, on or about June 27, 2012, the California Legislature adopted AB 1484 as a trailer bill in connection with the 2012-13 California Budget;

WHEREAS, AB 1484 specifically authorizes the issuance of refunding bonds by the Successor Agency;

WHEREAS, the Successor Agency has determined that, due to prevailing financial market conditions, it is in the best interests of the Successor Agency at this time to refinance redevelopment and low and moderate income housing activities within and for the benefit of the Redevelopment Projects and, in particular, to refund, on a current basis, the 1998 Agency Bonds, and the 2001 Agency Bonds (and, therefore, the 2001 Authority Bonds);

WHEREAS, to provide moneys to refund the 1998 Agency Bonds and the 2001 Agency Bonds (and, therefore, 2001 Authority Bonds), the Successor Agency has determined to issue its Successor Agency of the Redevelopment Agency of the City of Brisbane, 2013 Tax Allocation Refunding Bonds, in the aggregate principal amount of not to exceed \$22,500,000 (the "Bonds"), under the provisions of section 34177.5(g) of the Law and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (collectively, the "Refunding Bond Law");

WHEREAS, the Successor Agency has determined that the total net interest cost to maturity of the Bonds plus the principal amount of the Bonds will not exceed (a) the total net interest cost to maturity of the 1998 Agency Bonds to be refunded plus the principal amount of the 1998 Agency to be refunded, and (b) the total net interest cost to maturity of the 2001 Agency Bonds to be refunded plus the principal amount of the 2001 Agency to be refunded;

WHEREAS, on June 17, 2013, the Successor Agency adopted its Resolution No. SA 2013-04 (the "Original Resolution") authorizing the issuance of the Bonds, approved the form and authorized the execution of various documents and authorized the sale of the Bonds to Piper Jaffray & Co., as underwriter;

WHEREAS, subsequent to the adoption of the Original Resolution, it was determined that a private placement of the Bonds would eliminate the need to fund a reserve fund for the Bonds and would provide increased annual cash flow savings to the Successor Agency, and the Successor Agency has received a proposal from Western Alliance Bank ("WAB") for a direct purchase of the Bonds;

WHEREAS, the Successor Agency wishes to amend the Original Resolution to approve the direct placement of the Bonds with WAB or an affiliate of WAB;

NOW, THEREFORE, it is hereby ORDERED and DETERMINED, as follows:

*Section 1. Amendment of the Original Resolution.*

(a) The Original Resolution is hereby amended by replacing Section 4 thereof with the following:

*Section 4. Sale of the Bonds.* The Successor Agency hereby authorizes the sale of the Bonds to WAB in accordance with the terms of the proposal of WAB. The Successor Agency hereby approves the bond purchase agreement, by and between the WAB and the Successor Agency, in the form on file with the Secretary (the "Bond Purchase Agreement"), together with such additions thereto and changes therein as a Designated Officer shall deem necessary, desirable or appropriate, and the execution thereof by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest to, the final form of the Bond Purchase Agreement for and in the name and on behalf of the Successor Agency.

(b) The Original Resolution is also hereby amended by replacing Section 5 thereof with the following.

*Section 5. Placement Agent.* The Successor Agency hereby designates Piper Jaffray & Co. to act as placement agent to the Successor Agency (the "Placement Agent") in connection with the private placement of the Bonds. The Successor Agency hereby approves the placement agent agreement, by and between the Successor Agency and the Placement Agent, in the form on file with the Secretary (the "Placement Agent Agreement"), together with such additions thereto and changes therein as a Designated Officer shall deem necessary, desirable or appropriate, and the execution thereof by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest to, the final form of the Placement Agent Agreement for and in the name and on behalf of the Successor Agency.

*Section 2. Original Resolution to remain in Full Effect.* Except as provided above, all provisions of the Original Resolution shall remain in full force and effect.

*Section 3. Official Actions.* The Chairman, the Vice Chairman, the Executive Director, the Treasurer and the Secretary of the Successor Agency, and any and all other officers of the

Successor Agency, are hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the Bonds as described herein. Whenever in this resolution any officer of the Successor Agency is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

*Section 4. Effective Date.* This Resolution shall take effect from and after the date of its passage and adoption.

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W. Clarke Conway, Mayor

I, the undersigned Secretary of the Successor Agency of the Redevelopment Agency of the City of Brisbane, hereby certify that the foregoing is a full, true and correct copy of a resolution adopted by the Successor Agency at a meeting thereof on the 16th day of December, 2013, by the following vote of the members thereof:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Sheri Marie Spedicacci, City Clerk

**Brisbane Successor Agency, California**  
**Tax Allocation Refunding Bonds, Series 2013 (1998 and 2001 Bonds)**  
**Debt Service Savings and Summary Schedule**

Date	Principal	Rate	Interest	Period Debt Service	Refunded Debt Service	Cashflow Savings
12/17/2013						
05/01/2014	235,000	4.250%	276,444.79	511,444.79	1,221,677.50	710,232.71
11/01/2014	360,000	4.250%	366,350.00	726,350.00	804,977.50	78,627.50
05/01/2015	765,000	4.250%	358,700.00	1,123,700.00	1,243,410.00	119,710.00
11/01/2015	355,000	4.250%	342,443.75	697,443.75	773,710.00	76,266.25
05/01/2016	815,000	4.250%	334,900.00	1,149,900.00	1,272,142.50	122,242.50
11/01/2016	355,000	4.250%	317,581.25	672,581.25	743,842.50	71,261.25
05/01/2017	870,000	4.250%	310,037.50	1,180,037.50	1,307,132.50	127,095.00
11/01/2017	350,000	4.250%	291,550.00	641,550.00	709,632.50	68,082.50
05/01/2018	925,000	4.250%	284,112.50	1,209,112.50	1,337,780.00	128,667.50
11/01/2018	340,000	4.250%	264,456.25	604,456.25	671,080.00	66,623.75
05/01/2019	990,000	4.250%	257,231.25	1,247,231.25	1,379,085.00	131,853.75
11/01/2019	325,000	4.250%	236,193.75	561,193.75	622,285.00	61,091.25
05/01/2020	1,060,000	4.250%	229,287.50	1,289,287.50	1,425,290.00	136,002.50
11/01/2020	310,000	4.250%	206,762.50	516,762.50	572,790.00	56,027.50
05/01/2021	1,135,000	4.250%	200,175.00	1,335,175.00	1,475,652.50	140,477.50
11/01/2021	290,000	4.250%	176,056.25	466,056.25	516,852.50	50,796.25
05/01/2022	1,215,000	4.250%	169,893.75	1,384,893.75	1,529,572.50	144,678.75
11/01/2022	265,000	4.250%	144,075.00	409,075.00	453,872.50	44,797.50
05/01/2023	1,305,000	4.250%	138,443.75	1,443,443.75	1,596,450.00	153,006.25
11/01/2023	235,000	4.250%	110,712.50	345,712.50	382,650.00	36,937.50
05/01/2024	1,400,000	4.250%	105,718.75	1,505,718.75	1,665,085.00	159,366.25
11/01/2024	195,000	4.250%	75,968.75	270,968.75	302,585.00	31,616.25
05/01/2025	1,510,000	4.250%	71,825.00	1,581,825.00	1,744,877.50	163,052.50
11/01/2025	150,000	4.250%	39,737.50	189,737.50	212,477.50	22,740.00
05/01/2026	1,625,000	4.250%	36,550.00	1,661,550.00	1,834,627.50	173,077.50
11/01/2026	95,000	4.250%	2,018.75	97,018.75	111,127.50	14,108.75
05/01/2027	0	4.250%	0.00	0.00	3,135.00	3,135.00
11/01/2027		4.250%	0.00	0.00	113,135.00	113,135.00
	17,475,000		5,347,226.04	22,822,226.04	26,026,935.00	3,204,708.96
					Net Reserve Cash	<u>(2,185,154.63)</u>
					Net Savings	<u>1,019,554.33</u>